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ABSTRACT

This volume, number three in a series of three, investigates the relationship between modes of finance for primary schools and educational policy objectives in the countries of the Netherlands, Norway, Sweden, and Italy. The first purpose of the book was to tell the history of educational finance arrangements in order to frame the context within which present arrangements operate. A second purpose was to present current policy objectives and to describe the link between these objectives and the financial instruments used to achieve them. Finally, the country studies were intended to provide some insight into the effectiveness of these instruments, or lack of it, in achieving their intended purpose. Each of these studies is meant to stand independently, useful in itself as a country description and analysis of the choice, use, and effectiveness of current financing arrangements in achieving policy goals for primary schools. (Author)

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EDUCATIONAL FINANCING AND POLICY GOALS FOR PRIMARY SCHOOLS

COUNTRY REPORTS

VOLUME III

NETHERLANDS NORWAY SWEDEN ITALY

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EDUCATIONAL FINANCING AND POLICY GOALS
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GENERAL REPORT
(Forthcoming)

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NETHERLANDS NORWAY SWEDEN ITALY

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DE L'ENSEIGNEMENT PRIMAIRE
ET LES OBJECTIFS FONDAMENTAUX
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ÉTUDES PAR PAYS
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PREFACE

This volume is one of a series of three reporting ten country studies: Australia, Canada (the province of Ontario), the Federal Republic of Germany, Italy, the Netherlands, Norway, Sweden, the United Kingdom (England and Wales), the United States (Florida and California), and Yugoslavia, prepared during 1976 to investigate the relationship between modes of finance for primary schools and educational policy objectives. They are the outcome of the first phase of activity in the CERI project on educational financing and educational policy and as such they have attempted to fulfil a number of purposes. The first was to provide a description of the history of primary educational finance arrangements in order to frame the context within which present educational finance arrangements operate. A second was to present current policy objectives and to describe the linkage between these objectives and the financial instruments which are used to achieve them. Finally, the country studies were intended to provide some insight into the effectiveness of these instruments—or lack of it—in achieving their intended purposes. Each of these studies is meant to stand independently, useful in itself as a country description and analysis of the choice, use and effectiveness of current financing arrangements in achieving policy goals for primary schools.

The presentation of these ten country studies in three volumes is as follows:

Volume I:	*Volume II:*	*Volume III:*
Australia	United Kingdom	Netherlands
Canada	United States	Norway
Germany	Yugoslavia	Sweden
		Italy

A general comparative report, based on the data and judgements provided by the authors of the country studies, is also being published. This report summarises the variety of approaches that individual countries use to finance their primary schools and describes major trends in school finance policy in each country. It then compares and contrasts the diverse arrangements which countries have developed to accomplish a number of educational policy objectives. These include equality in educational resources and/or equity in access to resources, provision for special educational needs, decentralisation of control in educational decision-making and enhancement of parental (or student) choice among educational alternatives. Findings from this report will form a basis for further work to be undertaken in the area of educational finance and organisation.

NETHERLANDS

by

Rien van GENDT

Wetenschappelijke Raad voor het Regeringsbeleid
(Scientific Council for Governmental Policy)
's-Gravenhage

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Chapter 1

BACKGROUND AND CONTEXT

This paper deals with the financing of primary education in the Netherlands. Primary education caters for children belonging to the age-group 6-12 years and is compulsory. Compulsory education starts on 1st August of the year in which a child reaches the age of 6 years and 8 months and terminates at the end of the school year when he or she has attended at least 9 years at one or more schools or at the end of the school year in which the age of 16 has been attained.

The quantitative development of primary education can best be shown by the following figures:

Year	Number of schools	Number of teachers	Number of pupils	P/T ratio[a]	Number of pupils per school
1950	6 900	33 400	1 150 850	34.4	167
1973	8 300	51 150	1 453 300	28.4	175

a) In 1974 the maximum class-size was reduced from 36 to 33 pupils.

Study of expenditure on primary education will give reasonable insight into its scope and relative importance, but before this we should present some data concerning educational expenditure as a whole.

In relation to the national income (net, marketprices) the budget of the Ministry of Education and Sciences increased from 4.5 per cent in 1960 to 7.6 per cent in 1975. As a percentage of the overall national budget, the budget of this Ministry increased during the same period from 14 to 24 per cent. The following table well illustrates this rapid increase in public expenditure on education.

	1960	1975[a]
Public expenditure for education (million florins)	2 006	17 980
of which spent by		
Ministry of Education and Sciences	1 426	15 285
Other ministries	93	2 695
Provinces	3	
Municipalities	484	

a) Nominal figures according to the budget.

These figures show that the contribution of the Ministry of Education and Sciences to the public expenditure for education went up from 71 to 85 per cent between 1960 and 1975. Per family, the public expenditure on education increased nominally over the same period from fl. 715 per family to fl. 4 825. Per capita the increase was from fl. 175 to fl. 1 320. The main explanatory factors for this considerable growth are:

a) demographic developments, i.e., increase of the age-group;
b) higher participation ratios combined with longer stays at school;
c) increase in the average expenditure per pupil due especially to qualitative improvements and increases in salary costs.

Expenditure for primary education increased considerably during the most recent years. Not only did capital expenditure and salaries increase (the first because of an increase in the number of schools and the second because of an increase in the number of teachers and the salary per teacher), but current expenditure other than for salaries also went up very rapidly. While such current expenditure per pupil in 1970 amounted to fl. 750, in 1975 it was fl. 1 480.

Despite the overall increase in public expenditure for education and the absolute increase of public expenditure for primary education, the relative share for pre-primary and primary education in the total expenditure for education decreased—at least until 1972. In 1960 expenditure for pre-primary and primary education formed 36.5 per cent of the total while in 1973 the share was 26.5 per cent. During the same period the share for vocational and higher education increased. Since 1973 we can see a stabilisation of the relative share of expenditure for pre-primary and primary education. This runs parallel to the growing priority government is attaching to these two levels.

Educational financing comprises both revenue production and ressource allocation, but it is not intended here to focus on the technicalities of either of these. The principal concern of this study is rather the interplay between educational policy and educational financing. The way education is financed has an impact on whether, and the degree to which, educational objectives are achieved; while in its turn educational policy will put certain demands or limitations on the designing of the financing system. The relationship between financing and policy has often been neglected and frequently general financial and administrative considerations have proved to be more important determinants of educational financing than educational policy considerations. Insight into the relationship between educational financing and educational policy could be the basis for an attempt to turn educational financing into a more effective instrument for policy-making. Instead of financial arrangements having unintended or negative side-effects on educational policy, financing could become a more purposeful instrument. It is against this background that this paper will deal with the questions of revenue production and resource allocation.

Various reasons contribute to the importance of analysing the financing of education in the Netherlands, especially the financing of primary education. Although we shall come back to these reasons later in this paper, they should be mentioned at this point, albeit very briefly. First of all we should refer to the problems related to the financing of municipalities in the Netherlands. Many municipalities are faced with severe shortages in their budgets and expenditure on education seems to be the main explanatory factor. Reconsidering the financing of education could, therefore, contribute to the solution of this larger problem. Secondly, a reorganisation of the system of public administration is under consideration and a draft bill has already been presented to parliament. A change in the relationships between the central government, provinces and municipalities will affect the prevailing public financing system and hence the financing of education.

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Thirdly, educational policy is directed among other things at the integration of pre-primary and primary education into basic education, and a bill on this has been submitted to parliament. As the prevailing financing systems of pre-primary and primary education differ, the financing of basic education needs special attention. Fourthly, the prevailing system, although formally designed in a way that aims at equality among schools, in effect may result in disparities. This is difficult to prove because of a lack of data; however we shall show the likelihood that existing financial arrangements can have unintended side-effects on educational policy. These, then, are the four main reasons why an analysis of the way primary education is financed is worth-while. Obviously such a topic can only be understood if it is explored within the framework of the Dutch national situation. It is necessary, therefore, to give some explanation here of the system of governance of the schools and of the more comprehensive administrative infrastructure of the country.

In general we can say that the public schools are those established and maintained by the central government or the local authorities. All educational establishments founded by private bodies, whether denominational or not, are referred to as private schools. In the case of primary education a public school is established by a municipality, sometimes in co-operation with another municipality nearby. Every municipality has the legal responsibility to ensure that enough public schools are available. Schools are established according to a procedure laid down by law, which guarantees that one will be created if a sufficient number of parents ask for it. When a municipality has 100 000 inhabitants or more, 50 000-100 000, 25 000-50 000 or less than 25 000 inhabitants, parents may ask the municipality to establish a public school if it is reasonable to expect that it will serve respectively 125, 100, 75 or 50 pupils. In exceptional cases these numbers may be determined at a lower level. Such a request by parents might, however, be rejected by the municipality if a public school is already available within a reasonable distance.

If a municipality has no public school, the parents of at least 20 children may ask it to establish one, and it will comply if the school can be expected to serve 125, 100, 75 or 50 pupils, depending on the size of a municipality. Every year, in January, the municipalities report the number of existing public schools to the provincial authorities who, if they judge the number to be insufficient, recommend an increase.

The Minister of Education and Sciences can also make a recommendation to this effect. In certain circumstances a municipality may decide to close a school if the number of pupils falls below 125, 100, 75 or 50, depending on its total population; here again the numbers may be determined at a lower level. Such a decision by the municipality has to be authorised by the provincial authorities and, if they disagree, the municipality has to wait for three years before implementing its decision.

The establishment of private schools depends on private initiative. This must have a legal existence and it may be based on religious, philosophical or a number of other grounds, such as special teaching methods like Dalton, Montessori and Jena. Thus there are many different types of private schools, each being administered by its own school-board. The boards may be grouped in a number of national associations such as the "National School Council for Schools with the Bible", and the "Dutch Catholic School Council". Private bodies that want to establish a school with financial assistance from the public sector have to make their application to the municipality. If this meets the legal requirements, the municipality is obliged to co-operate in establishing the school and providing its operating costs.

Summarising, we can say that public schools comprise state schools (not in the case of primary education) and municipal schools. Private schools comprise denominational schools and non-denominational schools. Of the pupils enrolled in primary education, 70 per cent are in private schools.

An important element of the educational system in the Netherlands is the freedom to provide educational and financial equality between public and private schooling. Private education is financed on the same footing as public education if requirements of adequacy and some other conditions are met. Apart from these conditions, the Constitution guarantees freedom of direction for private education, whatever the religious, philosophical or other value system that underlies the education provided. Private schools have considerable discretion also (albeit within prescriptive limits) in the matter of curriculum and with respect to the appointement of teachers and the choice of teaching material.

The Constitution thus enables that justice is done to the diversity of ideas and thoughts alive within the Dutch population. Parents are given the opportunity of providing their children with the education that is in line with their way of life, their philosophy or the educational method they prefer.

The formal and financial equality between public and private education was achieved in 1917 as a result of a long debate referred to as the period of schoolcombat. The Law on Primary Education of 1801 was the first act regulating primary education on a national level. The Constitution of 1814 stated that public education is an object of permanent concern on the part of the government. Hence there was a monopoly, or at least preferential treatment, for public schools. The schoolcombat started at that moment and lasted till 1917 when the Constitution was changed. Some developments during the period 1814-1917 are worthwhile mentioning. In 1848 the Constitution stated that education should not be the monopoly of any single institution—be it the government or the churches. From that date, as a consequence, the equality of public and private schools was acknowledged.

Although formal equality was thus achieved, financial equality as yet did not exist. In 1889, however, a bill to change the Law on Primary Education was accepted and private schools became eligible for some financial support from public funds. In effect this meant that government paid the salaries of teachers.

Since then the Law on Primary Education changed several times, for example by the Compulsory Education Law of 1900, and on each occasion the material situation for private education improved. In 1913 a committee was set up to investigate the financing of primary education. Its report, published in 1916, recommended a change in the Constitution to allow for financial equality between private and public schools. At the same time the committee proposed a new law on primary education that would elaborate such financial equality. These ideas were accepted and in 1917 the Constitution was changed so that: education became an object of permanent concern for the government; there should be freedom in the provision of education although it should be supervised by the government; each municipality was obliged to provide sufficient public primary education which should be accessible to all children irrespective of their religion; education wholly or partly financed by the government should meet certain requirements to be established by law, but these should not impair the freedom of direction for private schools. In this way, the financial equality between public and private schools was achieved and the rules and conditions were formulated in the Law on Primary Education of 1920. Apart from those regulations relating to finance that will be discussed in Chapter III, they were concerned with such matters as: the minimum number of hours a year that education should be provided; the formulation of a teaching scheme indicating the overall learning package, the composition of the various subject areas and the division of subjects over school years (in private schools subjects related to the special orientation of the school may be added); examination requirements; qualifications and working conditions of personnel; pupil/teacher ratios. The difference between private and public schools with respect to these conditions is that for public schools they are binding while for private schools they constitute the terms on which grants may be made. Since 1920 the Law on Primary Education has been changed on several occasions, the last time in 1974, but this has left unchallenged the formal and financial equality of public and private schools.

At this point the relatively recent concept of the tertiumschool should be mentioned. This is a school that combines public and private education—they do not just co-operate but merge into one institution. In our opinion the tertiumschool should not be considered as a substitute for private and public schools but as a third option. Pedagogical reasons, ideological reasons and reasons of financing and management could be used to emphasize its importance; but as the concept of the tertiumschool has yet to be elaborated and discussed on a wider scale, we will here restrict ourselves to the prevailing situation that is characterised by the presence of private and public schools.

Having dealt briefly with the management of schools and particularly with the difference between public and private schools, we may now turn to the nature of the administrative infrastructure in the Netherlands. Its principal levels are central government and the municipalities—the eleven provinces for the most part having a supervisory and mediating role. Originally the responsibilities and authority of municipalities were very important and local taxes formed the major financial source for municipal tasks. Depending on the local tax capacity and municipal policies, disparities in the provision of services among municipalities could be considerable. It was in the 1930's that the need for a redistribution of power between the central government and the municipalities was felt. The aim to arrive at a more equal level of provisions among municipalities resulted in a transfer of authority to the level of the central government.

At the same time, the tax base of municipalities began to decrease and central financing became more important. At present many tasks carried out by municipalities are subject to central regulations, although there still are matters with respect to which the municipalities have more autonomy. Nor did all the tasks transferred go to the central government; some, like physical planning and environmental control, went to the provinces. Up to the 1950's this system functioned adequately. However a number of developments have called for a reconsideration of the balance between centralisation and decentralisation. What became apparent is that for many tasks to be carried out effectively a scale well exceeding that of a single municipality is needed. In addition relations between municipalities have become increasingly intricate. The debate that started in the 1950's was on the issue of regionalisation and resulted in 1976 in the presentation of a bill on the reorganisation of the administrative infrastructure. In chapter V we will look more closely at the proposed reforms.

In matters relating to primary education the principal agents in school management are the central authorities, the municipalities and the governing bodies, i.e. the municipalities for public schools and school-boards for private schools. The responsibilities of provinces are very limited and are mainly of a supervisory nature. Constitutionally and traditionally the influence of the central government is restricted to nation-wide policies, educational legislation and the enforcement of educational laws. The fear of state pedagogy led to considerable discretion being left to the governing bodies as to what is taught and how. In the case of public schools the municipality performs the role of governing body, while in the case of private schools, as we have seen, private institutions provide the school-boards. Public schools, because of their special relationship with the municipality, can draw on the—especially administrative—apparatus of a municipality. For private schools such a facility is not available, hence the co-operation among the school-boards of private schools to which we have already referred.

The municipalities have a double function with respect to primary education: they provide the governing body for the public schools and they allocate money to both public and private schools. The latter function is derived from the fact that, for certain matters, they collaborate with the central government. This should go beyond the mere implementation of central government policy because the municipalities have a certain scope for decision-making; in practice, however, their role is largely restricted to the execution of national policies. In other words, despite official emphasis on discretion at the local level, the influence of central government is quite extensive.

A factor still unknown is the way in which the reorganisation of the administrative infrastructure will influence the distribution of power between the various administrative levels.

Chapter II

EDUCATIONAL FINANCING - REVENUE PRODUCTION

A look at educational financing during the last century shows a gradual development from private to public financing and, with respect to the latter, from local to central financing. In the past, municipalities could, to a large extent, formulate their own policies, thereby determining their expenditures and their incomes. Incomes were drawn mainly from local taxes, particularly the local income tax. Because of differences in fiscal capacities as between municipalities, differences in municipal incomes and hence in the level of provisions followed. Poverty on the local level normally implies a limited fiscal capacity. This implies limited tax revenues, which implies inadequate public services, which in its turn implies a continuation of poverty. Breaking through this chain is very difficult. The disparities that emerged because of this financing system were considered especially undesirable and unacceptable in the Netherlands which is a country characterised by a high degree of social and cultural integration and a high degree of mobility. An important decision was taken in 1929 when the local income tax was abolished in order to eliminate the disparities in fiscal capacities among municipalities. Since the 1930's the importance of local taxes gradually decreased and the intervention by the central government became more apparent. On the basis of national solidarity, this intervention was directed at the equalisation of local provisions on a particular aspiration level. The present system is characterised by revenue production at the central level and a transfer of financial resources from here to local authorities. The local authorities themselves have a very limited margin of local taxes.

The vertical interaction with local public finance, i.e. the downward distribution whereby some part of the national tax revenues goes to the local authorities, can take various forms. Three in particular come to mind that could be applied simultaneously:

i) block grants;
ii) special purpose grants; and
iii) ad hoc grants.

Block grants are distributed to municipalities on the basis of criteria related to the density of population, the degree of urbanisation, and the demographic and social structure of the population. Further refining the distribution of such grants may require the employment of special criteria to be applied to groups of municipalities having some specific structure of function in common (e.g. historical sites or rapidly increasing or decreasing population). Block grants play an important role when the primary responsibility for providing public services is at the local level.

Special purpose grants ensure a flow of financial resources to specific sectors, such as education or the police, on the basis of factors measuring the costs of supplying these services. They are appropriate for sectors where the national government deliberately takes responsibility for ensuring performance at minimum or task-setting norms. It seems wise to restrict these grants to some socially strategic sectors; to do otherwise would assume an unrealistic degree of allocative wisdom at the level of central government.

Ad hoc grants are furnished to local authorities on the basis of national programmes. They are meant for ad hoc projects often surpassing mere local interests.

Looking at the financial arrangements over the last decade we can see that the special purpose grants have increasingly become more important than the block grants. In 1973 the special purpose grants exceeded even the block grants. This development does not automatically imply a growing influence of central government vis-à-vis municipalities, although one should not lose sight of the potential danger.

We now turn to the sources of revenue municipalities use to meet their current expenditures. The following categories may be distinguished:

Public sector, i.e. activities that wholly or partly belong to the domain of municipalities. Sources of revenue are:

- grants out of the Municipalities Fund,
- interest on own assets,
- sales of goods and services,
- taxes and levies, e.g. land, street, personal property and real estate tax, social services (the most important issue), health, housing and miscellaneous purposes.

Special purpose grants sector, i.e. activities for which the central government is responsible but the municipalities, for practical reasons, are entrusted with the implementation. Such co-operation between the central government and the municipalities exists with respect to such obligations as education or the municipal police.

Municipal enterprises and public utilities, i.e. activities geared towards the production of goods and services. The consumers normally pay a price that covers the costs. Examples are municipal energy enterprises, hospitals, public transport.

Special purpose grants are intended to cover certain municipal expenditures in full, which is reasonable because the main responsibility lies with the central government. Subsidies and contributions are partial payments for tasks that come within the responsibility of the municipality. As these latter tasks like social services are spread unequally over the municipalities, a complete financing out of the block grants (Municipalities Fund) cannot be achieved. At present approximately 30 per cent of municipal income comes from the Municipalities Fund (the special purpose grant for education allocated through the Fund is not included), 60 per cent comes from special purpose grants, subsidies and contributions and 10 per cent from their own sources of revenue. Quantitatively the second of these sources is clearly the dominant one, but qualitatively the first is very important.

With respect to the first category the municipalities have considerable discretionary power—unlike their position in the second category, where the central government has the main responsibility for the activities to be carried out and they are only collaborators. Municipalities consider it an unfortunate

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development that the block grants have become less important than the special purpose grants, contributions and subsidies.

Block grants, as we have seen, are paid out of the Municipalities Fund. This Fund was created in 1929 to allocate financial resources in a more equal way over the municipalities and, fed by national taxes, it has continued to play an important role. Its purpose is to provide municipalities with adequate resources for current expenditures. Since 1948 the Fund has received a certain proportion of the revenues of 12 national taxes (i.e. 13.25 per cent in 1977) and from the Ministry of the Interior an amount of money specifically for primary education. The Fund is not a chapter of the yearly budget, although it is presented at the same time, the Ministers of the Interior and of Financial Affairs being jointly responsible. A Council for Municipalities Financing advises on the total amount of money that should be disbursed to municipalities. Irrespective of the Funds' income, the central government (and, later on, parliament) determines how much should be made available as block grants. A consequence of this separation of the Funds' income and expenditure is that grants to municipalities do not vary in response to current economic conditions and reserves can be formed. In fact, the allocation of money to the municipalities has been, and still is, the subject of extensive debate. Although there have been some very useful investigations, we still lack sufficient insight into the structure of municipal expenditure and the factors that cause it to vary. If these were known they could provide a key to the problem of appropriate disbursements from the Fund.

At present the block grants out of the Fund are distributed to municipalities according to a formula expressed in financial terms. The system functions thus:

A. *General allocation*

i) Criteria for each municipality:

- area (at least fl. 10 per hectare),
- 24.3 per cent of the taxable yield of developed property (indication of the size of the built-up area),
- 80 per cent of the costs of some social services,
- amount per inhabitant depending on the size of the municipality (for this purpose municipalities are divided into 10 categories),
- compensation for the loss of revenue from land and personal property taxes,
- fixed amount of money (fl. 30 000) for each municipality;

ii) some municipalities that are characterised by special conditions have their own criteria, such as for location in mining areas, decreases in population, or the existence of a university.

B. *Supplementary contributions*

If a municipality has raised its own income to a reasonable level but still cannot meet necessary costs it is eligible for supplementary contributions.

During the last decade those criteria have been debated frequently, the Association of Dutch Municipalities being especially active in this respect.

Following on this look at revenue production in general, we can now turn to the specific case of primary education. Since 1955 parents have not had to pay fees for children during the period of compulsory education; even though private schools are allowed in principle to accept voluntary contributions from private sources. Although primary schools are publicly funded, there are no special taxes earmarked for financing them. Of the public resources going to private and public schools we may distinguish between:

a) direct transfers from the Ministry of Education and Sciences to the governing bodies, i.e. the municipalities for the public schools and the school-boards for the private schools. These represent reimbursement of the salaries for the prescribed number of teachers;

b) direct transfers to municipalities in the form of special purpose grants initiated by the Ministry of the Interior through the Municipalities Fund. These are reimbursements for capital and current expenditures. In 1974 they amounted to fl. 955 million. In formal terms, they should be regarded as block grants.

In the prevailing system of financial arrangements, a few points call for special attention. Firstly, the special purpose grants have become more important and this has reduced the scope for decision-making in the municipalities. Secondly, they have proved to be insufficient. Shortages in the sector of special purpose grants together with shortages in the sector of public utilities have resulted in considerable deficits in municipal accounts. Thirdly, the benefits of reducing the area of local taxation are brought into question.

These issues should, perhaps, be elaborated a little further. The main problem is that block grants out of the Municipalities Fund have gradually become less important, while special purpose grants, contributions and subsidies made available on certain conditions, have been on the increase. Although there is still a lot to be learned about the reasons for this growth in importance of special purpose grants, we can at least recognise wage increases and particularly the minimum wage (important for the social security payments municipalities have to make) during the last decade, the increase of unemployment and the wish of the central government to see to it that activities are carried out by the municipalities in an appropriate way (especially when, in a period of economic decline, the government is expected to come up with specific measures that are effective). The freedom of municipalities is further undermined by two developments:

i) although the special purpose grants left, in principle, some discretion to municipalities, more and more regulations have slowly decreased municipal freedom;

ii) the special purpose grant, especially the one for primary education, turned out to be insufficient and the municipalities had to make up the shortfall by using general grants intended for other purposes (e.g. health, culture, social services).

According to an enquiry initiated by the Council for Municipalities Financing approximately 30 per cent of the municipalities have been running a deficit. Practically all of those with a population of over 100 000 were in this position. With respect to education, nearly all municipalities face shortages that make up for the major part of the overall shortage on the current account of their budgets. In 1975 the overall shortages on municipal accounts amounted to fl. 362 million; fl. 258 million of this was caused by education. Even municipalities that do not have a shortage on their overall account frequently run a shortage with respect to education. In 1974 municipalities faced a deficit on education of fl. 225 million divided over pre-primary education fl. 60 million, primary education fl. 95 million and secondary education fl. 70 million.

The Financial Relations Law of 1960 states that municipalities with financial problems may receive supplementary contributions, which are allocated on an individual basis after investigation. Approximately 110 municipalities of the 800 take advantage of this facility. Although these supplementary contributions clearly have their uses, we should point out that the prescriptions attached to them reduce possibilities of carrying out an independent policy at municipal level.

The situation just described seems to imply that either the special purpose grants (and especially the one for education) should be increased, or the municipalities should get more decision-making power with respect to education, which means their getting larger block grants from the central authorities and/or being allowed to increase their fiscal capacity. The municipalities themselves prefer the second alternative and stress the advantages of decentralisation and more local autonomy: thereby the distance between those who decide, enjoy and pay will be smaller and municipalities can better take into account differential costs and needs.

An increase in local discretionary power can be matched either with a centralised revenue production (i.e. national taxes being transferred as block grants) or with a decentralised revenue production (i.e. local taxation). In practice local discretion and central revenue production are difficult to combine. Whoever finances can scarcely escape responsibility for policy ("who plays the piper calls the tune"). On the other hand, formulating a policy implies responsibility for its financial consequences. Because of the difficulty of separating policy and financial responsibilities, an increase in local discretionary power is normally related to increases in the fiscal capacities of the municipalities.

In fact, local taxes had never disappeared completely, indeed they were seen as essential for deliberate economising at the municipal level in the area of public services. However, they only amounted to about 10 per cent of the municipal revenues. The debate on increasing the taxation possibilities of municipalities also involved the possibility of reorganising the local tax system, e.g. by replacing some of the existing taxes with a single real estate tax. Increasing the relative importance of local taxes would mean that municipalities would get used to relating the benefits of certain services against asking the inhabitants to pay more.

The fact that at present municipalities are not obliged to relate costs and benefits causes a demand for more services, for more financial resources and a permanent pressure on the central government. An enlargement of local autonomy to avoid this would result in the same disparities as existed before the 1930's: transfers between municipalities would still be necessary to compensate for differences in earning capacity, needs and costs. As a result of a change in the Municipality Law in 1970 and the Decree on Municipal Real Estate Taxes of 1971, municipalities are now allowed to raise a real estate tax. Up to now 680 of the 800 municipalities (corresponding to approximately 75 per cent of the population) have decided to make such a levy.

Chapter III

EDUCATIONAL FINANCING - RESOURCE ALLOCATION

The financing of primary education is regulated in the Primary Education Law of 1920. Since then the law has been adapted on several occasions, most recently in 1975. It is to this version that we here refer. In the matter of regulating the financial support for schools given by the central government and the municipalities, the Financial Relations Law of 1960 specifies the arrangements. Accordingly, the municipalities finance education on behalf of the central government and are reimbursed afterwards. The regulations in the Primary Education Law and the Financial Relations Law are very detailed, the main reason being that the financial equality among schools had to be safeguarded. Broadly speaking there are three categories of expenditure:

i) salaries of teachers;
ii) current expenditures;
iii) capital expenditure.

Salaries of teachers

In addition to the school head, every primary school is entitled to a number of teachers that depends on the number of pupils.

Number of pupils	Number of teachers	Number of pupils	Number of teachers
1-26	1	125-156	5
26-61	2	156-199	6
61-91	3	199-232	7
91-125	4	etc.	etc.

These numbers can, however, be determined on a lower scale at the discretion of the Minister of Education and Sciences. School heads and teachers for public schools are appointed by the municipalities and in the case of private schools by the school-boards. Salary scales and other working conditions are specified nationally by decree. As already observed, the central government reimburses the municipalities and the school-boards directly for the salaries of the statutary number of teachers. This total reimbursement appears on the budget of the Ministry of Education and Sciences. Private schools are not allowed to supplement the state-paid salaries.

Sometimes additional teachers are appointed for the benefit of disadvantaged pupils and the Ministry of Education and Sciences may decide to reimburse municipalities for their salaries. School-boards of private schools may also request reimbursement by the Minister for the same purpose. At present the Ministry finances the salaries of 1 600 additional teachers in primary education. In cases where the Ministry of Education and Sciences does not make reimbursement, the expenditure for additional teachers in public schools is met by the municipality which also has to reimburse private schools for a proportional number of additional teachers. For these purposes, the municipality uses the block grant out of the Municipalities Fund.

According to the Constitution, standards have to be formulated for the financing of private and public education with public money. As concerns salaries this requirement is met directly by scales being determined at the national level. With respect to current expenditures the law chose an indirect way to meet the constitutional obligation by requiring the municipalities to determine a standard in the form of a sum of money per pupil on the basis of which they are reimbursed afterwards per pupil and per classroom.

Current expenditures

Every year before 1st March each municipality determines a sum of money per pupil to be made available that year to its public schools. This amount covers the cost of the following elements:

a) maintenance of buildings and sites;
b) daily minor repairs of buildings;
c) the maintenance of furniture and the purchase and maintenance of school-books and other teaching aids (the purchase of teaching aids covers replacement only—not initial cost);
d) heating, lighting and cleaning of the buildings;
e) school librairies;
f) other expenditure to guarantee an adequate provision of education, e.g. for telephone, advertisements, and school organisations (parents' committee, etc.).

Expenditures not intended to be covered by the amount per pupil relate, inter alia, to:

i) salaries of teachers;
ii) the establishment of buildings and sites;
iii) the purchase of furniture;
iv) municipal inspectorate costs.

In accordance with the Law on Primary Education, the sum of money per pupil determined by a municipality for public schools is made available also to the private schools, being multiplied by the number of pupils there. Once the amount of money per pupil is determined by the municipality, the school-boards are informed about it. Sometimes the school-boards regard the amount of money as insufficient and submit a protest to the provincial authorities. If this is accepted the provincial authorities will then determine a new sum per pupil that seems sufficient for the average school in the municipality concerned.

Before 1st December every year the municipality determines:

a) the amount of money spent in public schools during the preceding year on the above-mentioned categories *a)* to *f)*;
b) the amount of money that was available for public schools during the preceding year on the basis of the norm.

As the amount of money the municipality should pay to private schools should equalise the actual expenditure municipalities make on behalf of public schools, private schools get additional payments when *b)* is lower than *a)*. Once every 5 years a calculation is made of the additional money to which the private schools are entitled. For this purpose, the expenditure for public schools over the 5-year period is determined, the amounts of money made available to public schools are deducted and the result is divided by the average number of pupils in public schools during this 5-year period. The average excess expenditure per pupil in public schools is multiplied by the average number of pupils in private schools over the same period. The amount of money that results is then passed to the private schools. In cases where the actual expenditure on public schools was less than the amount of money available, private schools do not have to make a refund to the municipalities. As we shall see in the following chapter, expenditure on public education may exceed expenditure for private education. In order to avoid material inequalities between public and private schools, the law allows that a public school that is exceptional in some way (e.g. it may be very small) and could therefore increase the average expenditure per pupil considerably, may be excluded from the standard procedure for determining this figure for the public schools in general. By consequence, the high expenditures per pupil in such exceptional schools do not influence the average sum per pupil made available to private schools. In 1975, 123 municipalities asked the Minister to apply this exemption to 176 primary schools. Municipalities have to submit such requests before 16th March, i.e. two weeks after they determine the sum per pupil; they cannot ask for it subsequently if the expenditure of a particular public school turns out to be much higher than expected.

School-boards are free to use the money they receive for current expenditure as they wish, provided it is spent on items in categories *a)* to *f)* above. For instance, a private school may save on maintenance and use the money to enlarge its school library, but it is not allowed to give teachers additional remuneration.

Finally a few remarks seem called for:

- the amount of money approved for public schools does not include reimbursement for administration costs because the municipality itself does not make special charges for this purpose and the schools can draw on their administrative services. The situation with regard to private schools, however, is different and the amount per pupil paid to them by the municipality is increased to include costs of administration;
- if a municipality lends a building to a schoolboard it will also meet the cost of maintaining it. In this case the amount of money to be paid to the private school concerned will be adjusted;
- if there are no public schools in a municipality, the municipality determines before 1st March each year the amount of money per pupil to be allocated to the private schools. This should be sufficient for any one that operates under normal circumstances.

Having dealt with the reimbursement of current expenditure by the municipalities, we should turn now to the financial relations between central government and the municipalities. Reimbursements by the central government fall into two categories:

a) for salaries. These are made by the Ministry of Education and Sciences;

b) for current expenditure and capital expenditure. These are made through the Municipalities Fund in accordance with standards that relate to the actual expenditures of groups of municipalities in the past, adjusted yearly.

The payments under *b*) apply to public and private schools and comprise three main elements:

- *i*) reimbursement of current expenditure in the form *of an amount of* money per classroom;
- *ii*) reimbursement of current expenditure in the form of an amount of money per pupil;
- *iii*) reimbursement of capital expenditure in the form of an amount of money per classroom.

As to *i*) and *ii*): *the amount of money per classroom* is reimbursement for expenditure on:

- *a*) daily repairs to buildings;
- *b*) the maintenance of buildings;
- *c*) heating, lighting, and cleaning of buildings;
- *d*) insurance and taxes.

The basis for the reimbursement is not a task-setting norm but actual expenditures revealed by an investigation made in 1962. Since then, this amount of money or standard[1] has been increased by a yearly percentage for wage- and price-increases. In 1975 the base year for the actual expenditures became 1968 instead of 1962. Reimbursements by the central government are always provisional, the actual figures being settled at the end of the school year. These depend on the size of the municipality which may be in one of the groups by population, namely under 50 000, 50 000 to 250 000, and over 250 000. For the larger municipalities the amount per classroom is higher than for the smaller ones, although there is no clear indication that a close relationship exists between the level of current expenditure for education and the size of a municipality.

The amount of money per pupil is a reimbursement for expenditure on:

- *a*) maintenance of furniture, school-books and other teaching aids;
- *b*) peripheral provisions such as parents' committees and pedagogical centres;
- *c*) vocational education.

With respect to the amount of money per pupil there used to be no differentiation according to the size of municipality. The main reason for this was that the amount of money per pupil was related to the quality of education to be provided and an equal level of educational provision had to be guaranteed whatever the size of a municipality. However since 1970 differentiation according to size has been introduced in the light of an investigation showing that variations in the actual current expenditure per pupil do relate to the size of a municipality.

Capital expenditure

Capital expenditure covers:

- *i*) the establishment of a school;
- *ii*) the enlargement or alteration of a school;
- *iii*) the purchase of furniture;
- *iv*) the purchase of teaching aids.

When these investments are made for public schools, the municipality contracts a loan. The interest and depreciation charges of the capital account appear on the current account[2]. In cases where these investments are made for private schools, the situation is more complicated. The Law on Primary Education allows school-boards to ask the municipality to finance such investments, but the procedure is different for the first category of investment (which also comprises the establishment of buildings and sites for physical education) and the other three categories. As concerns the first—capital for school building—the school-board can ask the municipality for either the money or the facilities themselves. The request should be accompanied by, inter alia:

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[1] We use the term amount of money or standard instead of norm. Frequently the term norm is used, however there is no normative element in the present system.

a) a declaration that the school after its opening will be attended by 125, 100, 75 or 50 pupils, depending on the number of inhabitants of the municipality;

b) a declaration that, before building starts, the school-boards will deposit 10 per cent of the construction costs with the municipality;

c) information on the number of pupils the building can take, the number of classrooms and the capacity of each.

To meet this request the municipality raises a loan and makes the money available to the school-board à fonds perdu. As soon as the construction is completed the school-boards sends a detailed statement of expenditure to the municipality for comparison with the capital sum originally provided. The reasons for a deposit being required are to prevent schools being established too easily and to ensure that they are kept to a reasonable size. By the Law on Primary Education the Government cannot prescribe the size of a school, this deposit, therefore, is the only sanction it has in this matter. If, during three subsequent years, the school has less that two-thirds of the pupils originally envisaged, part of the deposit is retained by the municipality, in accordance with the formula:

$$\frac{\text{Number of pupils expected—average actual number}}{\text{number of pupils expected}} \times \text{deposit.}$$

If during three subsequent years the school has less than half of the number of pupils envisaged, the whole of the deposit is retained by the municipality. Such arrangements do not become operative until six years after a school opens. If over a period of 20 years the actual number of pupils does not drop below the expected number, the deposit is returned to the school-board. In the meantime the municipality pays annual interest on the deposit to the school-board. If, instead of providing capital, the municipality makes a building available, this may either remain its property which the school-board uses or its ownership may be transferred to the school-board.

For the enlargement or alteration of a school, the purchase of furniture or of teaching aids, the school-board asks the municipality for the necessary finance, undertaking that it will deposit ten per cent of the cost in advance. The municipality may refuse the request if its object exceeds the normal requirements of a school—in other words if the present facilities are considered to be adequate, or the estimated cost of the improvement is excessive. With respect to the purchase of teaching aids, a request may be refused if this means replacing existing materials. Replacement is intended to be covered by the sum of money per pupil already provided by the municipality for current expenditure. When a municipality refuses a request by a school-board, the board can appeal against the decision to the provincial authorities.

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[2] At the municipal level a distinction is made between the current account and the capital account. The current account covers the regular income and expenditure, the benefits of which as a rule do not extend beyond a period of one year. Current account expenditure also covers the interest and depreciation charges of the capital account.

Through the Municipalities Fund the municipalities are reimbursed by the central government for the capital expenditures. The reimbursement, expressed as a sum per classroom, is intended to cover:

- *a*) interest and depreciation charges related to new building. Depreciation is calculated on the basis of a loan with a duration of 40 years. Schools are classified by age-groups to facilitate the system of reimbursement. Those older than 40 years receive no reimbursement for interest or depreciation;
- *b*) interest and depreciation charges related to major enlargements and alternations. Depreciation takes into consideration the year of construction and the nature of the enlargement or alteration;
- *c*) expenditure for other enlargements and alterations; depreciation in 15 to 25 years;
- *d*) expenditure for the purchase of furniture; depreciation in 10 years;
- *e*) expenditure for teaching aids;
- *f*) rental of buildings, the reimbursement depending on the size of the municipality, i.e. whether its population is under 50 000, between 50 000 and 250 000, or over 250 000.

Finally a few remarks should be made on the financing of professional support centres. At present there are about 50 such centres at local and regional level and these are subsidised directly by the Ministry of Education and Sciences. Their activities comprise support to individual schools and co-operation on national projects, e.g. experiments regarding basic education. In 1974 the government published a discussion memorandum on these centres, the management and financing of which are controversial topics. At present, as we have said, there is a direct financial relationship between the ministry and the centres, but the private educational sector is in favour of financing them via the schools, in other words by incorporating their cost in the reimbursement made by the government to the schools. It was announced that the Minister of Education and Sciences would present definite proposals on this matter to parliament in 1977.

This concludes our description of the financing of primary schools in both the public and the private sector—a necessary background to the principal objective of this study: the interface between educational financing and educational policy. Before proceeding to this, however, in the following chapter, a few general observations should be made.

A number of the fundamental goals of Dutch society relate to education, notably:

- *a*) the development of positive moral and civic values and cultural attitudes among all people and their provision with the skills necessary for self-fulfilment so that they may appreciate and contribute to the cultural experience of society;
- *b*) the freedom of religious, social and other groups to pursue and intensify their own development;
- *c*) the provision of adequate education for all individuals and groups up to the highest level they may demand;
- *d*) the provision of trained manpower resources required for optimum functioning of society and the economy.

These goals are, of course, very general and have been formulated intentionally at a level of generality that will embrace what is common to Dutch society as a whole. What has been central in educational policy has been the constitutionally determined and traditionally preserved equality among all schools in the Netherlands—whether they are large or small, located in big municipalities or small municipalities, and whether they are in the public or the private sector.

We have already observed (Chapter I) that in the Netherlands it is primarily the right and duty of parents to decide how their children should be brought up, while it is the task of the government to place parents in a position to exercise this right freely. Formally, the influence of the central government is very limited, as against the considerable discretion provided to the governing bodies, namely the municipalities and the school-boards. In reality, however, as we have seen, the influence of the central government is substantial, being directed especially at the formulation of administrative, legal and financial arrangements for the establishment and operation of schools. Hence the educational policy of the central government is of a distributive and allocative nature, as distinct from its being constructive or educational. In other words it is especially through the making of the conditions under which schools may receive public money that the central authorities are exerting their influence.

Relating educational financing to educational policy therefore means relating educational financing to the objectives underlying the distributive and allocative policy. In this context we have already referred to the objective of equality among schools; however the interpretation of the term equality is a very complicated one—for two reasons at least. First of all, pupils who are disadvantaged either from a social, mental or physical point of view usually have different needs in comparison with the other children and should get special treatment demanding more financial support. In other words, inequalities are accepted when they relate to differential needs. Secondly, even when pupils have the same needs, securing the same quality of education for all may imply that the costs may differ from school to school. In other words, inequalities also are accepted when they relate to differential costs. Thus, on a number of points, the concept of equality could be violated in a legitimate way; or maybe we should say that the term equality does not relate to equal imputs, i.e. equality of resources levels, but that it should be interpreted in a more sophisticated way—the needs of the schools being seen as central, so if the needs of schools are similar, the financial resources provided should be equal; if the needs of schools are not similar, either because of differences in costs or because of differences in the needs of pupils, the financial resources provided will be unequal if an appropriate and equivalent treatment to all institutions is to be guaranteed. Such an allocation whereby resources are provided in a way that an appropriate and equivalent treatment of all schools, whatever their costs and the needs of their pupils, is guaranteed, will be referred to as a situation of material equality. Taking the material equality as a starting point, both the formal equalities (same inputs) and inequalities (different inputs) could be in line with the distributive and allocative policy in the Netherlands.

In the chapter that follows we will assess the prevailing financing situation by looking at the adequacy of funds and the disparities in their allocation, especially the disparities that appear to be unintended, i.e. that most likely are not related to differential costs or differential needs. A major problem in this context is that data are lacking, the information base with respect to the actual costs being very poor. We only have a general picture of the development of actual expenditure, and, even then, expenditure in one year may cover the costs of that year and the costs of preceding years as well, or they may represent advance payments on the costs of years to come.

Chapter IV

ASSESSMENT OF THE PRESENT SITUATION: ADEQUACY AND DISPARITIES

Our starting point is that the formal equality among schools that the financing system aims to establish may in effect result in a material inequality.

The existing financing system may cause different kinds of disparities that cannot be justified by differential costs and/or needs. The material inequality that occurs may relate to big and small municipalities, to pupils with special needs and other pupils, and to public and private schools.

The last two categories, particularly the latter, will get most of the attention here. Before dealing with the formal versus the material equality, however, we must briefly assess the revenue production and the adequacy of funds for educational purposes together with the discretionary power left to the school governance.

In the matter of revenue production we have said already that there has been a move from private to public financing and from local to central financing. With respect to central financing, the discretionary money provided to municipalities through the Municipalities Fund has become relatively less important than the special purpose grants, contributions and subsidies that are made to them.

Financial resources for primary education are granted to governing bodies directly in the case of salaries, while in the case of current expenditure and capital expenditure they are granted as a special purpose grant to municipalities. Although this grant is provided through the Municipalities Fund and therefore formally should be regarded as general money to be used for educational purposes, in reality it is a special purpose grant. Hence the municipality allocates the money on behalf of the central government to governing bodies, thereby collaborating with the central authorities in the implementation of the educational policy. In effect it would be better to change the formal situation and to put the special purpose grant to municipalities on the budget of the Ministry of Education and Sciences. However adapting the formal situation to the material one would require a change in the Law on Primary Education, as a real special purpose grant should be based on task-setting norms to be determined by law. At present the special purpose grant that is provided by the Ministry of the Interior through the Municipalities Fund is based, according to the financial Relations Law, on the development of actual expenditures for education in the past. For many municipalities the special purpose grants are not sufficient to cover their expenditures on primary education. Because of this situation many municipalities use their block grants to supplement the special purpose grants. Using part of their discretionary money for educational purpose would be considered more positively if more decision-making power would be granted to municipalities.

We now turn to the transfer of financial resources by the central government to municipalities and by the municipalities to the school-boards.

With respect to salaries there is a direct reimbursement by the Ministry of Education and Sciences to the governing bodies. The amount of money involved depends on the number of teachers schools are entitled to and on the salary scales determined nationally by decree (see page 20). Under no circumstances are governing bodies allowed to pay more salary than prescribed. However municipalities may employ additional teachers in public schools and meet their salaries in cases where the Ministry of Education and Sciences will not reimburse them. In such a circumstance the municipality has to reimburse private schools for a proportional number of additional teachers as well. Private schools are always entitled to employ and consequently pay for more teachers than the prescribed number. Frequently this concerns vocational teachers.

With respect to other current and capital expenditure, reimbursements have not been adequate. Three reasons could come to mind:

a) the money provided by the central government is not sufficient for the tasks municipalities are requested to carry out;

b) the standards municipalities apply for carrying out the educational tasks are set on too high a level;

c) municipalities are inefficient in carrying out their tasks.

Before looking at the current and capital expenditure separately, a few general remarks have to be made with respect to reimbursement by the central government.

First of all, as has been said previously, the basis for the reimbursement is not a task-setting norm that is updated on a regular basis but the actual expenditures as they came out of an investigation made in 1962. This system assumes that the provisions available in the base year are adequate and that an extrapolation with a percentage for wage- and price-increases will suffice. Both propositions are highly debatable and in our opinion one reason for the inadequacy of financial resources for education on the local level relates to this system. The government also agreed that the 1962 investigation became a rather weak basis for the reimbursements to municipalities. Another investigation was initiated and in 1975 the base year for the actual expenditure became 1968.

It should be noted here that the system as such did not change and that consequently the criticism it received did not change either.

Secondly, municipalities know what they receive in terms of money per pupil and per classroom but hardly have an insight into the way these amounts of money are determined. Insight into the composition of the amount of money also is lacking with the result that municipalities do not know exactly what the central government expects them to do. More openness could be very useful, however even the central government does not have information about the costs structure of schools, only actual expenditures are registered. The central government is aware of the financial problems on the municipal level and recently has increased the reimbursements.

Capital expenditures are reimbursed by providing a certain amount of money per classroom. Unlike the provision for salaries, this is not a full reimbursement of actual expenditures but an amount of money that is thought to be sufficient. The same applies as we shall see to current expenditure. The reimbursement for capital expenditure has been inadequate for at least three reasons:

a) despite the fact that the amount of money provided increases according to an index that takes into consideration qualitative improvements, municipalities have stressed on several occasions that the central government is not making sufficient allowance for qualitative improvements that are now seen as normal;

b) nor does the central government take into account that, due to an increase of quality, the costs for first installation (i.e. furniture, books and other teaching aids) have increased considerably since 1963. Municipalities regard the improvement of quality mentioned above as unavoidable and are supported in this by the inspectorate of the Ministry of Education and Sciences. However, the Ministry of Finance is not prepared to increase the reimbursement;

c) for the construction of a building, the central government takes as a basis for reimbursement a loan with a duration of 40 years. This, however, is not realistic; municipalities contracting a loan have to accept durations of 25 years. As the municipalities have to pay a higher interest on these shorter duration loans, the reimbursement by the central government is, once again, not sufficient.

The deficits on the municipal budget caused by education to a large extent relate to the insufficient reimbursement for interest and depreciation. If it were possible to transform the reimbursement for interest and depreciation into a reimbursement à fonds perdu as it exists for secondary education, deficits could be reduced considerably. Most probably such a change is not feasible. Introducing an à fonds perdu system means that the construction of buildings should be subject to planning, otherwise the government is unable to face the financial consequences. However the proclaimed freedom of education runs counter to planning. The law prescribes an automatic response for the establishment of schools and this implies that the government is legally obliged to finance a school as soon as a sufficient number of parents requests it. Even with respect to public schools the establishment is regulated from the bottom upwards, making planning on the level of the central authorities impossible. Hence, changing the financing of capital expenditure means that we have to look for ways to introduce a planning system for the construction of school buildings similar to the one that has long been used for secondary education.

Operational expenditure is reimbursed by providing a certain amount of money per classroom and a certain amount of money per pupil to the municipalities. The amount of money per classroom is based on actual expenditure that resulted from an investigation in 1962 and is differentiated according to the size of municipalities. This amount of money is increased yearly for changes with respect to wages and prices. Such reimbursements are insufficient and the Minister of the Interior and the Minister of Finance acknowledged this. At the same time they expressed their opinion that municipalities could operate more efficiently. The rationale for their statement is that an investigation of the expenditure per classroom in pre-primary education showed that this was on average 60 to 70 per cent higher in public than in private schools. They assumed that in primary education the situation would be similar. Consequently they thought that improving the efficiency could be an important weapon in fighting the municipal deficits. Although the relative inefficiency of the municipal administration should be investigated, it is not very likely that an improvement would make the existing reimbursements completely adequate.

The norm per pupil also is based on the actual expenditure with 1962 as the base year, and is differentiated according to the size of municipalities. This amount of money is increased yearly for wage—and price—increases, while occasionally the level of reimbursement is improved. It is very difficult to judge whether the reimbursement is adequate or not as it is unknown what specific tasks should be carried out using this money. As the yearly adaptations for price—and wage—increases were running behind the actual inflation (inflationary compensation amounted to 5 per cent a year over the period 1969-1972 and 4 per cent a year over the period 1972-1973) the reimbursement has in any case been insufficient.

Instead of taking as a basis for the amount of money per classroom and per pupil the average expenditure in certain groups of municipalities, it would have been better to look at the actual situation in schools within municipalities. This most probably would result into a more differentiated system of reimbursements.

With respect to the discretionary power left to municipalities in terms of current and capital expenditure, we have seen already that they can formulate norms and rules themselves. However the actual scope of flexibility, apart from some prescribed rules, will be restricted by the fact that the reimbursements through the Municipalities Fund are limited. Discretion is useful only if there are adequate financial resources and if there is educational as well as administrative capability at municipal level.

In page 28 three reasons were given for the reimbursements not being adequate. We believe that all three hold true and that it is difficult to say which one is predominant:

a) *The money provided by the central government is not sufficient for the tasks municipalities are requested to carry out.* With respect to current expenditure it is difficult to judge whether the reimbursements are sufficient or not as the reimbursements are not based on programmes of requirements and task-setting norms. However it is quite clear that the yearly adaptation for wage—and price— increases has been insufficient to cover real inflation. Naturally we should be aware of the fact that money for educational purposes at the central level also is limited and that the central government has to look at the trade-offs between the various sectors like education, health and transports.

b) *The standards municipalities apply for carrying out the educational tasks are set on too high a level.* With respect to the establishment of schools, municipalities carried out qualitative and quantitative improvements while the reimbursements till 1974 were based on the 1963 level of provision. Deficits caused by this task conception are of a structural nature, as they remain during the whole period of redemption.

c) *Municipalities are inefficient in carrying out their tasks.* An investigation showed that private schools are more efficient than public schools. In other words improving the efficiency of public education could have considerable financial pay-offs. However, this would call for a cost analysis.

The central government reimburses municipalities for current expenditure in the form of an amount of money per classroom and per pupil, while the municipalities reimburse school-boards in the form of an amount of money per pupil only. There are several disadvantages attached to this system, such as:

— it is not possible to relate the amount of money per pupil provided by the central government to the amount of money per pupil provided by the municipality;

— a considerable part of the current expenditure of schools, whether they are big or small, are equal. Hence municipalities with many small schools are in a disadvantageous position.

It has been proposed at several instances to bring the reimbursement by the central government for current expenditure in line with reimbursement by the municipalities. In addition it has been proposed to make in both cases reimbursements in the form of an amount of money per pupil, per classroom and per school.

As far as the disparities are concerned, we first will deal with those between public and private schools. Although the financing system formally aims at an equality between public and private schools, in practice this does not result automatically in a material equality, as the system may have unintended side effects. The starting point for an analysis is the automatism on the municipal level, i.e. municipalities determine an amount of money per pupil for current expenditure that is made available to private schools as well. The result is a considerable formal equality within municipalities while nationally inequalities may occur among municipalities.

For various reasons private schools have more discretionary money to spend per pupil than public schools:

- the management of public schools is more bureaucratic than the governance of private schools. This increases the costs of public schools because technical services on the municipal level charge considerable overheads and the governing bodies of public schools are normally less flexible and responsive. The school-boards and personnel of private schools are normally more concerned about financial matters. The technical costs of an average private school are approximately 60 per cent of the technical costs of a public school;
- private schools are not obliged to spend the money in the same way as public schools. Although they should use it within the six categories listed on page 21 the specific items and the timing are matters for their own discretion. Delaying certain activities like painting the buildings or not embarking at all on some, such as employing remedial teachers, implies that private schools, without necessarily damaging their quality, have more discretionary money per pupil;
- the average number of pupils per classroom in private schools tends to be higher than in public schools. As the costs per school and per classroom to a certain extent are independent of the number of pupils per classroom and the reimbursement is provided as an amount of money per pupil for all operational activities, private schools may be better off;
- other, incidental reasons may cause the expenditure of public schools to be higher than private ones. If, for example, a public school is located in an old building, then the costs for maintenance and heating will be high and the amount of money made available to the private schools will be high also even when they are located in new buildings. If the situation were the reverse of this and private schools regarded the reimbursement to be inadequate, they could submit a request to the provincial authorities to have the reimbursement increased.

The foregoing means that the private schools have more discretionary money per pupil than public schools. However, we should keep in mind that 90 per cent of the current costs in the broad sense represents salaries, which is non-discretionary money to schools. The discretionary money only concerns the other 10 per cent. This may be spent on improving the quality of educational provisions, e.g. additional and vocational teachers, books and other teaching aids. As soon as this becomes apparent, public schools may exert pressure on the municipality to increase the educational standards in public schools. Consequently the amount of money per pupil will increase, which is beneficial to private schools as well. Hence we may notice a kind of spiral, whereby private schools due to the prevailing financing system upgrade the educational standards and expenditure of primary schools. There is a second spiral we should refer to. The amount of money per pupil earmarked for schools should be regarded as an average. For some schools it will be insufficient, for others it may be sufficient and even leave some scope for additional educational expenditure. The consequential upgrading of educational standards may cause some pressure to the amount of money per pupil. Clearly this spiral cuts across the distinction between public and private schools.

Also with respect to capital expenditure private schools may cause the overall level of provisions to increase. Let us take an example: a school-board submits a request to the municipality to receive the financial resources for the purchase of a language laboratory. The municipality refuses and the school-board appeals against this decision to the provincial authorities, who rule in favour of the school-board. The private school gets the laboratory and at that moment other private schools would be stimulated to apply for the same facility. If most of the private schools are equipped with a laboratory it means that also the public schools should get one and that the costs of maintenance and replacement will be added to the amount of money per pupil for current expenditure.

Three elements should be mentioned that could bring private schools in a slightly disadvantageous position vis-à-vis public schools. First of all, we have seen that municipalities every five years determine the actual expenditure made on behalf of public schools. If actual expenditure exceeds the money made available to private schools through the amount of money per pupil, the difference will be calculated on a per pupil basis and provided to private schools as well. Taking this into consideration it would be advantageous for municipalities to determine the amount of money per pupil on a rather low level as the payment of additional money after 5 years means an advantage in terms of interest and inflation. Secondly, school-boards receive money for the construction of a school building only after they have made a deposit representing 10 per cent of the construction costs. A consequence may be that school-boards attempt to minimise construction costs thereby detracting from the quality of certain provisions. Public schools are not faced with such problems. On the contrary, the Constitution states that each municipality is obliged to provide sufficient public primary education. Another point is that the municipality can formulate requirements with respect to the construction of private schools that differ from the requirements being formulated for public schools. Officially there are only minimum requirements that should be met by public and private schools. Thirdly, private schools cannot draw, like the public schools, on the municipal facilities and administration.

Let us now turn to the disparities between schools in small and big municipalities. We have seen in Chapter III that municipalities are reimbursed for their current expenditure by the central government in the form of an amount of money per classroom and per pupil. The first reimbursement always depended on the size of the municipality, the latter only since 1970 when two categories were introduced, namely municipalities with less than 100 000 inhabitants and municipalities with more than 100 000 inhabitants. Both reimbursements are based on actual expenditure in a certain base year. Disparities occur because of a combination of two factors:

a) a number of provisions never occurred on the budgets of small municipalities or only to a very modest degree. We refer to those like additional teachers paid by the municipality, the municipal inspectorate, pedagogical centres and psychological assistance to pupils;

b) the actual expenditure forms the basis for the reimbursement to the different categories of municipalities instead of the costs required.

As small municipalities often did not have the money for certain provisions, the financing system will perpetuate that situation. In other words the expenditure from the past, i.e. a haphazardly created situation, plays a predominant role in allocating resources to the municipalities.

The result of this system is that big municipalities get more financial resources per classroom and pupil than smaller municipalities. Differences in allocations to municipalities depending on their size would be legitimate if the differences were reflecting the different costs among municipalities. Although the costs in a big municipality may be higher than in a small municipality[3], it is unlikely that the prevailing disparities reflect differential costs. The classification of municipalities in different categories is not based at all on an analysis of the cost structure of schools in municipalities with different sizes. From the same point of view the classification of municipalities for the reimbursement of capital expenditure is very debatable.

The prevailing system may lead to disparities between pupils with special needs and the other pupils. "Pupils with special needs" refers to the group that is disadvantaged in social, physical or mental terms and that needs special treatment which normally implies additional financial resources. How does the term equality relate to differential needs? On page 26 we defined material equality as follows: the allocation whereby resources are provided in a way that an appropriate and equivalent treatment of all schools, whatever their costs and needs of their pupils, is guaranteed. Hence when differential resources inputs relate to differential needs, material equality may be achieved.

Appropriate treatment of disadvantaged pupils takes place partly in normal schools and partly in special schools. The Minister of Education and Sciences has suggested that the prevailing situation be changed and that, as far as possible, disadvantaged pupils should receive special treatment in the normal primary schools. He considered such integration in the normal schools would be very useful both to the disadvantaged and to the other children. However in particular cases the disadvantaged, especially some of the physically and mentally handicapped, should visit special schools for appropriate treatment. At present there are 880 special schools for 89 400 disadvantaged pupils. We will not, however, look at the financing of these special schools and deal only with the financing of differential needs in normal schools. As we said before, differential resources inputs may be required to finance remedial teachers, special teaching material and different provisions, e.g. with respect to the building. At this moment there are rules on which the Ministry of Education and Sciences bases its allocation of money to schools for additional teachers. Within this policy, approximately 1 100 additional teachers could be employed in 1975. However the positive discrimination that is required for pupils with special needs is very difficult to exercise in a system as centralised as the Dutch one in terms of defining the conditions for allocating financial resources.

In order to consider the efficacy of the prevailing system and the discrepancy between formal and material equality, the financial structure and cost structure of each school should be investigated and a comparison should be carried out among schools. However at present there is no insight into the real costs per pupil per year differentiated to average costs and marginal costs. The implication can best be shown by an example. Two schools receive the same amount of money per pupil. From a material point of view they are not in the same position when the two buildings are of the same size, while the first school has twice as many pupils as the second. Due to the equal size, the costs of, for instance, cleaning, heating and lighting will be practically the same for the two buildings. However in terms of an amount of money per pupil, the costs of the first school will be 50 per cent lower than the costs of the second one. The crucial point here is that the amount of money per pupil represents an average amount. This measure is very crude; not every pupil entering the school causes the expenditure to rise with the average amount per pupil. In effect the addition of one pupil may have two consequences:

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[3] Among others because statistics show that the average school-size in big municipalities is 1½ times the size of average schools in small municipalities.

a) if he enters a classroom where a place is still available, the costs, e.g. of heating, will not be affected;

b) if the classroom was full and, because of the new pupil entering, the class has to be divided in two, two classrooms instead of one would have to be heated, and a new teacher be appointed.

Relating educational financing to educational policy, we have dealt with financing in relation to the main objective of the prevailing distributive policy, i.e. the equality among individual primary schools. Although an insight into the cost structure of individual schools is lacking, there are indications that the formal equality, as it is arranged by law, does not necessarily result in a material equality. Disparities may occur among schools in small municipalities and big municipalities and among private schools and public schools that do not relate to differential costs. In other words the financing system, because of its underlying principles, is not able to cope with differential costs. In addition we may observe that the system of formal equality is not able to deal with differential needs.

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Chapter V

SOME IMMINENT DEVELOPMENTS IN EDUCATIONAL POLICY

So far we have dealt with the relation between educational financing and educational policy in the light of the existing administrative infrastructure in the Netherlands and in the light of the existing, mainly distributive, educational policy objectives. However, we cannot avoid looking at the future and particularly at the developments that will or might have an influence on the financing of primary education. In this chapter we will describe in a concise manner these developments and refer in particular to three reports by the government, i.e. the memorandum on the contours of a future educational system (the so-called Contours report), the bill on basic education, and the bill concerning the reorganisation of the administrative infrastructure. In the next chapter we will deal more specifically with the consequences of these developments for the financing of primary education.

In June 1975 the Contours report was published by the Minister of Education and Sciences; a report describing a future structure of the overall educational system. According to this report the Minister and the educational institutions have their own responsibility with respect to the shaping of the future. The government should make proposals concerning the structure of the system and global policy lines, the educational institutions should judge these proposals in terms of their desirability and practical feasibility and they should come up with proposals regarding the future as well. In comparison with the prevailing policies, the Contours report hardly carries any new policy objectives. The only important difference is the change in emphasis from education as a preparation for professional life to the development of the individual's full potential and the need to prepare the individual for a place in society in the broadest sense. Simultaneously we may notice that educational policy-making further develops from a rather administrative, legalistic and distributive policy to a more constructive and educational policy. Based on the objectives for education policy as mentioned in the Contours report, two important proposals are made, namely postponement of the choice of school and the improvement of horizontal mobility. In effect it means that up to the age of 16 there is obligatory general education, which is followed by professional education or the preparation for higher education. The proposed system is as follows: basic school for the 4-12 year olds, middle school for the 12-16 year olds, high school for those aged 16 and over. The school leaving age is raised to 18.

Practically all children receive 12 years of daily education in the Netherlands. However, disparities may occur in the way available talents are deployed by the educational system. Such disparities among pupils normally are caused by social and economic circumstances and by the way the school acts upon these circumstances. Not everybody has equal opportunities, deficiencies may occur with respect to pupils coming from the lower social strata, or migrant parents. Although they are enrolled like anybody else in primary schools, they have fewer chances to continue education after the obligatory age or to acquire equal adult opportunities as a result of education. The Contours report, although being slightly over-optimistic about what education could achieve in terms of social mobility, is aware of the fact that governmental activities, of which education is only one, should aim in a concerted effort at objectives like social mobility.

The Contours report proposes to integrate pre-primary and primary education into basic education, and basic education should aim at:

- *a*) the creation of equal opportunities independent of social environment and sex;
- *b*) the development of the personality of each child in an uninterrupted process of education;
- *c*) paying sufficient attention to the individual identity of pupils;
- *d*) registering in time deficiencies in the developmental and learning processes and providing individual support to pupils;
- *e*) creating learning situations adapted to the nature of the pupils.

The process of integrating pre-primary and primary education will have important consequences for the financing of schools. Most probably it will still take a long time before new arrangements become operational because of the complexity of the integration:

- *i*) the integration concerns 14 500 schools and 67 000 teachers;
- *ii*) both systems still have their own objectives;
- *iii*) curriculum development for basic education has not yet started;
- *iv*) teachers will need a different kind of training;
- *v*) salary arrangements for teachers are different;
- *vi*) both types of schools have their own legal arrangements and, as we have seen, financing system.

Two final remarks should be made in relation to the Contours report. First of all, the role of special schools will be reconsidered. So far, too many children with a handicap were referred to special schools. The Contours report underlines that a flexible set of special education facilities must help to ensure that children with special needs are removed entirely from normal schools in extreme cases only. The integration of disadvantaged children in normal schools implies that the financing of differential needs becomes more important.

Secondly, the degree of (de) centralisation will be reconsidered independently of the forthcoming reorganisation of the administrative infrastructure. The Contours report proposes to increase the discretionary power of schools within the limits of the budget and requirements with respect to quality. It means that schools should formulate, implement and control a working plan that contains the following elements: objectives, curricula, pedagogy, teaching material, evaluation methods, support, planning and organisation, and spatial requirements. The plan would be subject to decision-taking by school-boards, teachers and parents.

In 1977 a bill on basic education was sent to parliament. This bill pays attention to the financing of basic schools and, in the next chapter, we will look at it more closely. For the moment, however, we would like to refer to an important issues it raises, i.e. a new procedure for the establishment of schools. At present a minimum number of pupils is sufficient to establish a primary school. So far this system worked adequately as enrollments steadily increased, demanding an enlargement of the number of schools. However in the future an increase of the overall number of pupils is not expected. In this light the main weakness of the present system is that the main determinant is the need at a particular moment, i.e. the number of pupils at the moment the school is opened. The bill does not regard this as a sufficient justification and stresses that a future need for school facilities, taking into consideration the forecasted number of pupils, should be the determinant factor. We have already remarked that the freedom of education in the Netherlands runs counter to planning. However the new procedure for the establishment of schools introduces a planning element. Municipalities, individually or in cooperation with other municipalities, will prepare a three-year plan indicating the public and private schools that are required. School-boards will have to apply for inclusion in it. Municipal plans will be sent to the provincial authorities for approval. Acceptance turns on agreement as to the likely number of pupils in the future. A school will be included on the plan in any case on the likelihood of its having 200 or 100 pupils, the figure depending on the municipality concerned having more or less than 50 000 habitants. A private school will be included in any case if there is not a similar private school available in the municipality or in a municipality nearby and if such a school is expected to have at least 50 pupils. A public school will be included in any case where its establishment is required to bring the provision of public education up to the guaranteed level. Most likely a law on basic education will not become operative before 1983.

Finally, we should refer to the bill concerning the reorganisation of the administrative infrastructure that was presented to parliament in 1976. The present distribution of responsibilities and tasks over the central government, provinces and municipalities has been the subject of debate for the last two decades. Demands for a redistribution of power have become more frequent in the direction wishing for further decentralisation. Decentralisation has the advantage of political expediency, dispersal of political power, providing a set of checks and balances against any one group obtaining too great a control, and democracy at the grassroots—for it is at this level that the individual citizen is best able to be informed, to be heard and to exert his influence. Despite advantages of decentralisation there is also a trend towards centralisation:

a) local units may not be large enough to attain the lowest feasible unit costs of production. For certain services it may be possible to reduce unit costs by producing higher outputs per period than can be absorbed locally;

b) distortions in the demand for and consumption of public services when government organisations are highly decentralised.

When benefits from the provision of a public service accrue to people outside the jurisdiction providing them or, conversely, when some of the costs are borne by people in other jurisdictions, it is probable that too little or too much of the service will produce allocative inefficiencies. The only solution may be action by the central government, for it only is in a position to internalise the externalities.

Despite the demands to transfer decision-making authority from the centre to the lower levels, in practice two bottlenecks became apparent: municipalities are often not equipped to be entrusted with such a responsibility and/or the municipalities are too small for large-scale activities. Hence we observe developments towards:

a) a decrease in the number of municipalities which would result in the formation of maxi-municipalities;

b) increased co-operation among municipalities;

c) regionalisation.

Municipalities have decreased considerably in number during the last decades. In 1950 there were 1 010, in 1973 there were 850. Many of them have already embarked on co-operative efforts, sometimes on an informal basis and sometimes on the basis of private or public law. The 1950 Joint Organisation Law provides a legal basis for such co-operation. Under the Act, approximately 1 500 joint arrangements have been made covering a variety of specific subjects like drinking-water supply, public transport and refuse disposal. As soon as there is a need for overall co-operation, instead of co-operation for specific subjects, there is a need for regionalisation. Regions, of which there are about 50, such as Eindhoven, 't Gooi, Rhine Estuary (a special public authority), may co-ordinate the policies of municipalities within them. Often such regions are financed by contributions from the municipalities. The bill on the reorganisation of the administrative infrastructure does not introduce the regions as a fourth administrative layer, but proposes to increase the number of provinces and to change their function. Thus a redistribution of tasks over the existing three layers of government is proposed which will lead to a strengthening of the province while preserving the position of the central government and the municipality. Naturally, as we will see in Chapter VI, the establishment of 24 provinces "new style" (hereafter called the provinces) will influence the financial arrangements between the administrative layers. With respect to education, the bill refers to the Contours report and (at that moment) the draft bill on basic education. The latter should deal with the division of educational tasks over the central government, provinces and municipalities. Questions to be answered are: which tasks go from the municipality to the province, which tasks go from the central government to the province, should the double role municipalities perform at present be continued, what will be the relation between the province and private schools and/or municipalities and private schools? The draft bill on basic education does not deal with these problems and still assumes the prevailing administrative infrastructure. The Contours report on the other hand does treat the subject of regionalisation. According to this report some tasks could be transferred upwards and others downwards. A downward transfer to regions is conceivable with respect to planning the establishment of schools, professional suport and planning the multiple use of buildings. An upward transfer to regions is conceivable with respect to research, transportation of pupils, common property of educational means and job information.

Chapter VI

THE IMPACT OF FUTURE DEVELOPMENTS ON EDUCATIONAL FINANCING

Having dealt in a rather general fashion with three government reports that have an impact on the financing of primary education, we will now turn more specifically to their implications. Sometimes the consequences for the financing system are spelled out in these reports, sometimes this is not the case and it is left to us to indicate how the development could affect financing. In the following paragraphs we will examine the implications of the bill on the reorganisation of the administrative infrastructure, the work done hitherto by the Londo Committee, the Contours report and the bill on basic education.

The bill on the reorganisation of the administrative infra-structure shows how the redistribution of decision-making over central government, provinces and municipalities could affect the financial arrangements. In Chapter V we have already observed that for certain activities to be carried out effectively on the required scale, maxi-municipalities, a co-operation among municipalities and regionalisation, had to be materialised. For this co-operation between municipalities, two forms are conceivable, namely:

a) joint arrangements between them (approximately 1 500 arrangements exist at present) for specific tasks organised by more than one municipality. The disadvantage here is that, at municipal level, no cost-benefit analysis is done for the various tasks in relation to each other. In other words there is a danger of "partial" administration;

b) supramunicipal provisions organised by the larger municipalities. These municipalities receive higher payment on account of the spillover, i.e. the services they produce being of benefit also to the citizens of neighbouring municipalities.

Here, the disadvantage is that, in principle, the service is determined in size and nature by the municipality that receives the money, not by the wider area consuming the service. Hence there is a danger that the interests of this wider area are not sufficiently taken into account during the decision-making process.

What is needed, therefore, is larger-scale functional entities instead of co-operative arrangements to take care of such tasks. In this context we can think of maxi-municipalities, regions or provinces. The bill favours a change in the direction of 24 reinforced provinces. As to the financial arrangements, three systems were conceivable:

i) *financial relations between the central government and municipalities.* Municipalities would make financial contributions to the provinces.

This would be appropriate in cases where the provinces are given a limited task and are responsible for co-ordination, but the system is not proposed because the bill is in favour of strong provinces.

ii) *financial relations between the central government and the provinces.* Here the provinces would make money available to the municipalities for tasks that still fall under the latter's authority. This would be appropriate where provinces are considered to be very strong and the tasks of the municipalities marginal. This system is not proposed because the bill is in favour also of strong municipalities.

iii) *financial relations between the central government and the provinces, and between the central government and municipalities.* Such a system implies both strong provinces and municipalities, and this is in line with the intentions of the bill. According to the bill both levels should dispose of sufficient discretionary money, i.e. own tax revenues and block grants from the central government.

Having looked at some developments that might influence revenue production in the future for, among other things, education, we now turn to resource allocation specifically for primary education, looking first at the work done by the Londo Committee, an interdepartmental working group called after its chairman. This group was appointed in May 1974 by the Minister of Education and Sciences to investigate the financial support given by the central government to pre-primary and primary education. In November 1975 the committee published an interim report which asked the Minister to take some preliminary decisions on the basis of which its future work could proceed. The report, therefore, contains no definite proposals as to the financing of basic education.

Nevertheless, the Londo Committee is unanimous as regards the faults and deficiencies of the present financing system. It is of the opinion that a new system is required, not just reshaping the existing one. A central aim of this new system should be material equality instead of formal equality. This means that measures should be formulated for the reimbursement of schools, something that exists already with respect to salaries and has been long since required by the Constitution. The Committee was unanimous that measures for the reimbursement of current expenditure should take the form of standard costs to be derived from the performance of model schools. There was also consensus that the Minister should define a programme of requirements for these schools. In effect, the procedure was conceived as follows: the model schools are selected, the Minister, in close consultation with the educational institutions, determines a programme of requirements, and the cost implications are analysed. This would indicate an appropriate level of reimbursement for primary schools. However, in the committee there were differences of opinion as to the importance that should be attached to the costs of model schools in arriving at the system of reimbursement. Three alternatives were defended by individual members:

i) task-setting norms: the costs of model schools providing a basis for direct rembursements. These costs could be de/increased for factors such as the location of a municipality, its population, school size, and the heating system. Thus differentiation would be possible;

ii) allocation in the form of a general grant out of the Municipalities Fund. Here again the costs of the model schools and differential factors would form the basis, but the money would be provided as a block grant instead of a direct one that was earmarked;

iii) a minimum scale of reimbursement for the various school activities, additional costs being financed out of the non-discretionary money municipalities receive in the form of a block grant (Municipalities

Fund). Again, the costs of model schools form the basis of the system, but the most efficient way of carrying out the programme of requirements would determine the scale of reimbursement.

The majority of the committee was in favour of the first of these alternatives, for the following reasons:

- the second alternative assumes a policy freedom for municipalities that does not exist; such a decentralisation is not in line with the actual developments since 1920. The existing problem of allocating money out of the Municipalities Fund, would become even more serious;
- the third alternative also complicates the allocation of money out of the Municipalities Fund, especially as only part of the costs would be reimbursed that way;
- important advantages of the first alternative are: political and financial responsibility go together and are in the hands of the Minister of Education and Sciences. In addition the system is very easy to comprehend.

In fairness we should mention the advantages of the second and third alternatives as expressed by their respective adherents. Those in favour of the second alternative stressed that the local authorities should receive the required responsibility to determine the alternative ways in which the money could be used. Discretion at municipal level would not exclude prescriptive limits to be formulated by the central government. Adherents to the third alternative considered that the programme of requirements should provide the basis for determining the cheapest way of carrying out educational activities. If this money was not enough, additional sums could be allocated through the Municipalities Fund. This way, it would be possible to investigate why the costs of municipalities differ. The third alternative clearly distinguishes the responsibilities of the Minister of Education and Sciences and the Ministers of the Interior and Finance—the Minister of Education and Sciences being responsible for the programme of requirements and its related reimbursements, but not for the additional payments relating to the various circumstances at the municipal level.

Whatever the new system to be adopted, the Committee was unanimous that it should reconsider the question of equality between private and public schools. Private schools are cheaper than public schools and the formal equality ought to be replaced by a material equality. The committee also emphasized that, pending the adoption of any of these proposals for change, the present financing system should be improved by:

a) catching up with delays in some reimbursements for the various categories of municipalities;
b) eliminating injustices that stem from the classification of municipalities;
c) adapting the level of reimbursements to the most recent cost investigations;
d) extrapolating the reimbursements from the base year, using more realistic figures for price—and wage—increases;
e) broadening the reimbursements for current expenditure to include an amount of money per school in order to support the relatively small ones.

With respect to the current costs, the committee made a distinction between those on the technical side like maintenance, cleaning, heating, and others that are more closely related to the quality of education. At an early stage, the Minister himself had expressed his preference for task-setting norms, then the group paid special attention to the way these could be formulated for both

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the technical costs and the quality costs. For this purpose the two categories were further broken down in groups of costs and for each group the differentiations due to the special circumstances of schools were considered. For the technical costs, differences among schools may be caused by:

- *a)* objective factors like the age of the building, type of construction, size, system of heating;
- *b)* system of management, whether private or public, and the degree of (de) centralisation;
- *c)* differences in efficiency.

With the quality costs, norms may be formulated for specific tasks such as the number of books per library, or the number of hours for which vocational training should be provided. The committee emphasized that the formulation of norms for technical costs is far more complicated than for the quality costs because there is so much difference between schools in this respect. For quality costs, the formulation of norms for specific tasks may be easier but the committee considered it undesirable to do so. Instead, it favoured the formulation of one norm for the whole of the quality costs, the main reason being that a disaggregation could threaten the constitutional and traditional freedom of education.

As regards the relationship between central government, the municipalities and the private schools in the matter of current costs, the committee proposed to follow a system similar to that already being applied for the reimbursement of salaries, and to reimburse governing bodies (i.e. municipalities and school-boards) directly, instead of going through the municipalities. The advantage of this for municipalities would be that they no longer have to determine a (provisional) amount of money per pupil every year, which they may have to modify the following year, always increasing and never decreasing it. According to the committee the reimbursement to the governing bodies should be in the form of an amount of money per pupil, per classroom and per school; this applying to both technical and quality costs.

With respect to quality costs, the Committee was in favour of a formal equality, requiring the same financial inputs per pupil, classroom and school across the country. In cases where municipalities wanted to spend more money on the quality of public schools, they should pay an equivalent amount of money to private schools. With technical costs, the Committee favoured material equality, on the principle that the reimbursements to governing bodies of schools may have to be different if they are to achieve technical provisions.

The Minister agreed to a number of points in the Londo report, notably the utilisation of model schools, the formulation of a programme of requirements, the distinction between technical costs and quality costs, and that municipalities could add to the reimbursement for quality costs if they compensate private schools as well. It should also be noted that a number of the Committee's ideas, and the preference of the Minister for a system of task-setting norms, are reflected in the Contours report and the bill on basic education.

The Contours report provides only sketchy information on the financing of education. It states that the prevailing system results in material inequalities, inefficient spending of resources and a lack of clarity as to the cost structure of education. According to the report, material equality can only be achieved when reimbursement is based on task-setting norms. Such norms should be tested regularly in model schools. As we observed in page 36, the Contours report proposed to increase the discretionary power of schools. The introduction of the system it recommends would, at the same time, decrease the necessity for control at central level thereby leaving more scope for other activities such as educational innovation, and it would increase the discretionary power of the governing bodies. The Contours report states that financial aspects will be developed further in the course of forthcoming changes in specific sectors of the educational system, and it cites as an example the (then) forthcoming draft bill on basic education.

The bill on basic education proposes that with respect to current costs, the Minister will determine a programme of requirements based on the needs of schools operating under normal circumstances.

The programme comprises:

a) provisions related to the use of the buildings (e.g. heating and cleaning) —technical costs;
b) educational provisions such as maintenance and remplacement of furniture and teaching aids—quality costs;
c) major items of maintenance of building and sites.

Annually the Minister will decide upon the reimbursements that will be provided for the next year, using as a basis the implementation of the programme of requirements in a number (approximately 100) of model schools. These are under three sub-headings:

a) technical costs;
b) quality costs;
c) maintenance.

Through this procedure municipalities will get a long-sought insight into the nature and composition of the reimbursements. The bill leaves open the question whether or not the money will be provided on a per pupil, per classroom, per school or any other basis. Governing bodies will be reimbursed directly for the technical and quality costs, as it exists already for salaries. With respect to the costs for maintenance [mentioned under (*c*)] the municipalities will be reimbursed, as they are responsible for the maintenance of both the public and the private schools.

The advantage of reimbursing the governing bodies directly for the technical and quality costs is that the municipalities no longer play the widely criticised double role of governing body of public schools and allocatrix for them and the private schools as well. Money for these current costs is directly transferred by the central government to the school-boards of private schools. However, there is one exception, namely that if municipalities add to the reimbursed quality costs for public schools, they should make available an equivalent amount of additional money for the private ones. In other words, the municipalities still play a role in preserving the constitutional equality between private and public schools as far as the quality costs are concerned.

If, due to exceptional circumstances, the reimbursements for technical and quality costs turn out to be insufficient, the governing bodies may demand additional money. In our opinion the provision of additional money on a subjective basis is desirable and feasible only if there are not too many exceptions. Even so, detailed information about the cost structure of individual schools is still lacking.

Unfortunately the bill could not allow for the consequences of a forthcoming reorganisation of the administrative infrastructure. It is a pity that no attemps was made to anticipate at least the likely relations between the various levels of public administration. Hence the bill may have to be revised on account of reorganisation of the administrative infrastructure. In fact it gives a second reason for its financial proposals being provisional, namely that the Londo Committee has not yet finished its work.

In what has been said we have stressed the importance of the equality objective of the mainly allocative and distributive policy for primary education in the Netherlands. Despite the existence of a formal equality we have shown that disparities (i.e. material inequalities) may result. When differential costs and differential needs are taken into consideration, we see the need for the equality objective to be re-defined in terms of providing an appropriate and equivalent treatment to schools, instead of in terms of equity of resource levels or introducing differentiations that are inapt.

Recent proposals by the Londo Committee, emphasised in the Contours report and the bill on basic education, declare a policy objective of material equality, taking into account differential costs and needs. A number of measures recommended are, too, in line with this revised objective, as for example the distinction between technical costs and quality costs, the formulation of a programme of requirements, the use of model schools, a critical look at the classification of municipalities and the double role municipalities have been playing so far, the devolution of more discretionary power to schools albeit within prescriptive limits, and planning a more efficient use of school buildings. However it is still premature to say that implementation of these various proposals will in fact contribute to the achievement of material equality as we have defined it in Chapter III. A necessary insight into the cost structure of schools and why they differ is still lacking. There is still insecurity as to the exact nature of the forthcoming reorganisation of the administrative infrastructure and its consequences for the financial arrangements for education.

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Chapter I

THE GENERAL CONTEXT OF EDUCATIONAL FINANCING

HISTORICAL FEATURES

Historically, the systems of primary education, secondary education and vocational/technical education in Norway have different origins.

General secondary education originated from the church, in the form of "cathedral schools", which at the time of the reformation were taken over by the State. They developed primarily as institutions preparing children of the small upper class for university training, aiming at the professions which for centuries were the prerogative of the upper class in Norway.

Late in the 19th century, some of the wealthier local authorities established their own general secondary schools, while the State established a limited number of such schools in the rural areas. By 1930, the attendance at general upper secondary education ("gymnas") still only amounted to 3 per cent of the age group. By 1950, it had reached 10 per cent and is now more than 30 per cent of the age group. Early in the 1960's, all "gymnas" run by local authorities or the State were transferred to the intermediate administrative body, the county, which now has the direct administrative responsibility for running all schools at the upper secondary level (except for a limited number of private schools).

During the 1950's, the schools offering general education at the *lower* secondary level had reached an attendance of 50 per cent of the age group. After 10 years of gradual, experimental implementation of the reform, a 9 years' compulsory school system was made general for the country as a whole in 1969. This implied the integration of lower secondary education in the comprehensive school system run by the individual local authorities ("communes").

Primary education as a compulsory form of elementary training for the masses grew out of the "communes" which were established as representative local authorities in the early 19th century. Primary teaching—often ambulant—relied on the scarce resourses of the communes, but gradually gained state support. The teachers of primary education became important spokesmen for the emerging political movements of farmers and, later on, of the workers. By 1900 one third of the members of the Norwegian Parliament were primary school teachers.

Early in this century, this popular, and public, primary education system had taken over the limited number of private primary schools preparing upper class children for secondary education. The primary system was extended to the age of 14 and by 1920 already had its comprehensive character without streaming.

The introduction during the 1960's of the 9-year comprehensive school put an end to the dual system of "grammar school" type of education and "continuation schools" at the lower secondary level, and may be seen as an expansion upwards of the locally based popular school, at the expense of the academically oriented school tradition.

Vocational/technical education grew out of a traditional apprenticeship system which gradually became transformed, especially after the second world war, into a system of full-day school based training, of varying length and in a variety of often rather specialized institutions. The apprenticeship system still prevails in more traditional craft areas, while the rapidly expanding system of full-day training has been pushed upwards in the educational hierarchy by the completion of a 9-year comprehensive school without vocational elements.

Vocational/technical education at the upper secondary level is now administratively the responsibility of the counties.

The trend of the 1970's is towards a merger of vocational/technical schools with the "gymnas" preparing for entry to university. The "gymnas" had already lost their predominantly classical content in favour of science and modern languages early this century. Legally speaking, Norway introduced *one* system of upper secondary education in 1974. At the institutional level, the merging of general and vocational/technical courses into one institution catering for the whole age group at this level is developing gradually.

Finally, it should be mentioned that the monopoly of the "gymnas" in providing access to higher education has gradually been eroded. Other types of education, and also practical work experience, are increasingly being accepted as basis for entry to higher education, including the universities.

SCHOOL GOVERNANCE

Norwegian schools are predominantly public. A few private institutions, mostly kindergartens or vocational schools at the upper secondary level, get financial support from government on certain conditions.

The public authorities directly responsible for compulsory education (primary and lower secondary) are the *communes*. They number about 450 with an average population of about 10 000. Within the communes the responsibility for school operations rests with a school board, composed of representatives of political parties in proportion with their political strength within the commune.

The communes are also responsible for the establishment of pre-school education provided in separate kindergartens. At the State level, pre-school education is the responsibility of the Ministry of Administration and Consumers Affairs. An exception, however, relates to the obligation of the communes to provide pre-school education to all handicapped children. This may be organised by the local primary schools and is financed by the Ministry of Education.

The direct responsibility for upper secondary schools rests with the *counties* of which there are 19, with an average population of about 200 000. Direct political election of county representatives has recently been introduced, and the county school board is composed in the same way as in the communes.

The *State* also has a local representative in each county, charged with certain supervisory and controlling functions related to the compulsory school system of the communes. The State has the direct responsibility for higher education, though the counties have a strong influence on the governing board of the "district colleges", which within each county comprise all non-university institutions at the higher education level.

The State also draws up general legal regulations for the operation of schools at all levels and provides financial subsidies to communes and counties ear-marked for school purposes.

At the level of the ***individual school***, each school should have a pupils' council, a teachers' council, a parents' council, and if appropriate, a council for other employees. It should also have a general collaboration committee with two representatives from the teachers' council, one representative for other employees, the headmaster, two representatives from the pupils' council, two representatives from the parents' council an one representative chosen by the communal school board. The general collaboration committee, the teachers' council and the headmaster are the most important factors in decisions relating to the allocation of resources within the individual school.

STRUCTURAL FEATURES

Kindergartens will not be dealt with in this study. It might be mentioned, however, that in resource terms their standards are usually much higher than those in primary education. The number of children per teacher (including paid trainees) averages six to seven.

Primary education starts officially in the calendar year when a child reaches the age of seven, which means that about half the children are seven years old when they enrol. The formal possibility of starting one year earlier or one year later after special testing is not extensively used. Primary education lasts for six years, and there is no repeating of grades. Classes are kept together during those six years, and there is no streaming. No marks are given. A class would normally have the same principal teacher during the first three years and another during the next three years, but the same teacher may often follow the same class all through primary education.

The maximum class size is 30 and this limit is rigidly maintained. Due to the many small schools with lower maxima for class size, the country average is slightly below 20. Full-time teachers are expected to teach 30 "hours" (lessons of 45 minutes) per week. Most pupils, especially in the first grades, do not in fact have that many. But the splitting up of classes in smaller groups, and extensive remedial teaching bring the pupil/teacher ratio down to 19:1. Teachers should have had 3 years' teacher training at the post secondary level, but they often have additional training as well, which qualifies them for higher salaries.

Lower secondary education is also compulsory and lasts for three years. Classes are still kept together, but in the eighth and nineth grade pupils are regrouped for Norwegian, English, German and mathematics. This regrouping is based on the pupils' relative rate of progress, the decision however is taken by the parents, and the pupils themselves. Recently, Parliament has decided that classes should be kept together right to the end of compulsory education; any necessary differentiation to be undertaken only on an individual basis within the class.

The system of a principal class teacher is partly maintained even in lower secondary education, but here the teaching is generally more subject-oriented and divided among more teachers. No repeating is applied, but marks are given and a formal examination is held at the end of the ninth grade when the pupils have reached the age of 16.

Maximum class size in lower secondary education is 30, and the average size 24 pupils. As classes are split up for many subjects, the teacher/pupil ratio is as low as 14:1. Teachers are normally expected to teach 24 "hours" per week. The training required of them amounts to 4½-5 years of post secondary education, either in a teachers college or a university, or a combination of both.

Special education is offered in a number of specialised schools, mostly for mentally retarded, emotionally disturbed, blind and deaf children. Hitherto most of these schools have been run by the State. Special education has also been offered in separate classes within ordinary schools, and in the form of remedial teaching to individual pupils in ordinary classes.

According to a recent decision by Parliament, special schools will, as far as possible, be transferred from State control to the communes or to local consortia of communes. Boarding schools are increasingly to be replaced by local schools where the children can stay with their families. Gradually, pupils in schools for special education will be transferred to ordinary schools and integrated into a normal school milieu. Increased resources accompany such transfers, and it is estimated that about 25 per cent of all current costs in the compulsory school system are spent on remedial teaching.

Teachers in special education must have had two years' additional training on the top of their regular teacher certification. Remedial teaching within ordinary schools is often given by teachers with only one year's additional course in special teaching. Special teaching qualifies for a reduction in the normal teaching load, and the same is true for remedial teaching within ordinary schools.

In this context, it is not within the remit of the present study to consider either *upper secondary education* or *higher education*.

SCHOOL UNITS

Primary schools and schools for lower secondary education have traditionally been separate units. There is, however, a trend towards the establishment of schools covering the whole range from the first to the ninth grade. In the school year 1974-1975 there were the following numbers of schools:

Table 1. **School units (1974-75)**

Primary schools	2 572
Combined primary and lower secondary	423
Lower secondary schools	453
Compulsory schools in all	3 448

Some of the primary schools do not cover all the six grades. Schools offering only the first three grades constitute nearly 10 per cent of the total, and there are a few other variations.

Small primary schools in rural areas with a scattered population are often organized with two or more grades together in the same class. Of the nearly 3 000 school units offering primary education, only 1 321 have one class or more for each grade. 311 schools have only one class, normally covering all six grades of primary education. When more than one grade is taught in one class, the maximum class size is reduced. A one-class school, for instance, has a maximum size of twelve pupils, and the country average is nine pupils.

As schools with more than one grade in a class are rather small, the great majority of pupils attend schools with at least one class in each grade. In schools at the lower secondary level, three parallel classes for each grade is the most typical structure, although there are schools with as many as ten parallel classes in each grade, and also schools with only one class for each grade at the lower secondary level. The size distribution of all schools in compulsory education is as shown in Table 2.

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Table 2. **Size distribution of compulsory schools**

Number of pupils	Number of schools
1- 9	207
10- 29	582
30- 49	318
50- 99	569
100-199	629
200-299	422
300-399	321
400-499	201
500 and above	199

According to recent decisions by Parliament, schools at the compulsory level should not be built for more than a maximum of 450 pupils. As seen from the preceding table this means that some nine per cent of the present school units are regarded as being too large, and should eventually be split up. The preferred structure, in the view of Parliament, for compulsory education would be schools covering all nine grades in compulsory education, and with one class in each grade. This indicates a school of 200-250 pupils.

Until recently the trend has been towards a reduction in the number of small schools and an increase in the number of middle sized ones, particularly those with one class for each grade. The wide range of policy measures in many fields developed by the government in order to keep internal migration in check, and broadly to maintain the present structure of localization of the population, also include a reversal of the trend towards abandoning the small schools. Currently the change towards larger schools appears to have been checked, and we may possibly see a trend towards more school units in the future. This primarily depends upon the communes, which, according to recent legislation, have the decisive word in defining school districts, and thus in determining the size of school units.

Clearly, the form school financing takes at this level plays a major role in influencing future directions in this area, as well as in other essential features of the compulsory school system.

Chapter II

SOURCES OF FINANCE

HISTORICAL DEVELOPMENT

The development of total public spending on education at the primary and secondary level may be illustrated by Table 3.

Table 3. **Development of total public spending on education (1946-1975)**

	1946-47[a]	1965	1975
Central government (mill. kr.)	115	1 045	4 053
Local government (mill. kr.)	123	1 322	4 289[b]
Total public (mill. kr.)	238	2 367	8 342
Per cent of GNP	2.2	4.2	5.6

a) The budget year then lasted from July 1st to June 30th. As from 1961 the budget year coincides with the calendar year.
b) Budget figures, usually lower than actual spending.

As these figures show, the distribution of public expenditures between local and central government has been relatively stable over the last 30 years. A certain increase in the local share in the 1960's was mainly due to a school building boom, largely financed by the communes.

The relationship of education expenditure to total public spending over the same years is somewhat obscured by more formal changes in the registration of various public transfer systems, especially related to social security and price subsidies. By and large, education appears to have increased its share of public spending from 1946-1947 to 1965, while the share may have declined somewhat since 1965.

We have no means of separating expenditures on primary education from those on secondary education. As pupil numbers have increased strongly at the secondary level, and very little at the primary level, expenditures on secondary education have probably increased more than on primary education, although average resource standards (per pupil) have increased far more at the primary level (partly also lower secondary) than at the upper secondary level. As to higher education. expenditures have increased more rapidly than at lower levels. mainly due to a faster relative growth of the student population. As the financing of higher education is the responsibility of central government alone, the share of total educational expenditures borne by central government has tended to increase somewhat over the years.

Some of the increase in public expenditure on primary and secondary education is thus a response to increasing numbers of pupils. More important, however, have been the increases in real resource input per pupil over the last 30 years. Even if real term salary increases for teachers are excluded (which may be debatable), the cost in real terms per pupil have probably about doubled in this period. As indicated above, this real term increase has been greatest in primary education, and less significant in upper secondary education, particularly in the theoretical streams.

THE COMMUNES

The communes have major responsibilities in a wide number of fields of public administration, such as social services, local roads and transportation, cultural activities, general public utilities, and so on. Expenditures for compulsory education constitute on the average nearly 25 per cent of the total expenditure by the communes, ranging from about 15 per cent to about 30 per cent. By and large, the percentage is higher in the poorer communes, indicating a higher level of geographical equalisation in school expenditures than in other local services.

The communes have their own sources of revenue, mostly based on a tax which now amounts to 22 per cent of taxable income, the rate being set by the central government. Taxable income is determined in the same way as for taxes paid to the central government, and the taxes are actually collected together. Most of the additional revenue collected by the communes take the form of payments on a number of public utilities.

The data of Table 4 have just been published by the Norwegian Central Bureau of Statistics in a new series called *Structural Data from the Municipal Accounts*. The data refer to the year 1974.

It should be borne in mind when reading Table 4 that local authorities can only marginally influence their rate of local taxation. There would thus be a very close correlation between revenue and taxable income per capita.

It emerges clearly from Tables 4 and 5 that there is a fairly strong

Table 4. **Type of local community, local revenue per capita and expenditure per pupil in compulsory education**

Type of local community	Local revenue per capita	Expenditure per pupil in compulsory education
1. Agricultural	2 161	8 246
2. Peripheral, mixed agricultural and manufacturing	2 204	7 016
3. Central, mixed agricultural and manufacturing	2 521	6 021
4. Fishing	1 995	8 083
5. Peripheral manufacturing	2 790	6 199
6. Central manufacturing	2 941	5 553
7. Central, mixed service and manufacturing	4 005	5 876
8. Other mixed service and manufacturing	3 009	5 981
9. Others	2 344	7 166
Average 442 local authorities	3 133	6 272

negative relationship between income and expenditure per pupil in compulsory education. The publication from the Central Bureau of Statistics does not present a direct comparison between revenue per capita and expenditures per pupil in compulsory education. However, from the material presented in the publication on individual local authorities, the following table has been put together:

Table 5. **Number of inhabitants, local revenue per capita and expenditure per pupil in compulsory education**

Number of inhabitants	Local revenue per capita	Expenditure per pupil in compulsory education
– 999	2 292	9 938
1 000- 1 999	2 270	8 854
2 000- 2 999	2 210	8 420
3 000- 4 999	2 456	7 143
5 000- 6 999	2 402	6 334
7 000- 8 999	2 591	6 174
9 000-10 999	2 827	5 921
11 000-13 999	2 753	5 877
14 000-17 999	2 926	5 841
18 000-24 999	3 145	5 812
25 000-34 999	3 206	5 522
35 000-59 999	3 270	5 620
60 000 +	4 298	6 099

In addition to their own income, the communes receive a wide variety of financial transfers from central government. There exist more than a hundred separate transfer arrangements whereby the central government covers a certain proportion of communal expenditures for specifically earmarked purposes. Transfers from central government earmarked for operational expenditures in compulsory education is by far the most important form of such transfer, amounting to nearly half of the total amount transferred for earmarked purposes. In addition to earmarked transfers, the central government also provides a general equalization grant to the communes in order to partly compensate for differences in fiscal capacity. The total transfers from central government to the Communes cover about 20 per cent of the total expenditure by the communes on goods and services.

From Table 6 one can see that the tendency of the richest communes to spend on education beyond what is refunded by central government is somewhat reflected in the average for the 12 communes with the highest local revenue per capita. However, by and large the table confirms that the present transfer system for education in Norway goes far beyond "equalizing" educational expenditures in compulsory education. The transfers (and corresponding legal regulations) ensure a strong element of positive discrimination in educational expenditure at the local authority level.

Although the transfers are usually biased in favour of the economically weaker communes, they do not substantially offset the differences among the communes in fiscal capacity, which is 4-5 times higher per capita in the richest commune as compared to the poorest. Within the education sector, government transfers mean far more than in other sectors, and they are strongly differentiated according to local economic capacity. Yet the relative burden of maintaining

Table 6. Comparison between revenue per capita and expenditure per pupil in compulsory education at local authority level

Local revenue per capita	Number	Expenditure per pupil
– 1 499	13	10 434
1 500-1 999	101	8 385
2 000-2 499	131	7 287
2 500-2 999	118	6 476
3 000-3 499	47	6 248
3 500-3 999	20	5 707
4 000 +	12	6 774
All communes	442	6 272

Note: All figures for revenue or expenditure are in N.cr. Expenditure per pupil excludes investments.

legally determined standards of educational resource input is still by and large greater in poor communes than in the wealthier ones.

Education at all levels is offered free, the only income related directly to education are some minor amounts due to the renting of school facilities for non-educational purposes.

THE COUNTIES

Up till now the expenditures of the counties have been refunded by the communes. In addition there has been a number of specific transfer arrangements between the central government and the counties, following the same principles as between the central government and the communes.

The reform in county administration which is now gradually being implemented implies that the counties will have their own tax revenue. Transfer arrangements from the central government will be strongly simplified.

The government's "school directors" at the county level are entrusted with minor funds, mainly for additional contributions to special education in communes with particular needs, and for certain inter-communal measures aiming primarily at teacher support and in-service training.

THE CENTRAL GOVERNMENT

Of central government revenue, about 22 per cent stems from taxes on income and property and 78 per cent from taxes paid on trade, production and working capital. No part of the revenue is collected in a way that predetermines its use for specific purposes—as, for instance, education.

About ten per cent of central government expenditure consists of transfers to local government, mostly to the communes.

INDIVIDUAL SCHOOLS

Individual schools have practically no income beyond the funds provided by the respective public authorities: in the case of compulsory schools, the communes.

Occasional gifts for welfare purposes from private sources such as parents are quite marginal in the financing of individual schools.

REFORMS IN LOCAL ADMINISTRATION

For some years a Royal Commission has been working on reforms in local administration, and some of its proposals have already been acted upon by Parliament. They concern transfer of administrative functions from central government to counties and communes, direct election of representatives to political bodies at the county level, an independent revenue basis for such bodies, and changes in the system of financial transfers between different levels of government.

On the latter point the Commission advocates the principle that political/administrative responsibility and financial responsibility shall go together. From this principle it has drawn the conclusion that transfer arrangements between central government and local authorities earmarked for specific purposes should be replaced by a general system of block grants from central government, distributed to local authorities according to criteria related to fiscal capacity. In principle, the Parliament has given a favourable reaction to those proposals, pointing out, however, that political/administrative responsibilities are in certain cases actually divided between central and local authorities. Education is specifically mentioned as a case of this nature. It does seem unlikely that financial transfers earmarked for educational purposes from central to local government will be abandoned, though the present system may be subject to major simplification.

Independently of the reforms proposed by the Royal Commission, the Ministry of Education has been working on proposals to simplify and improve the present system of financial transfers to local authorities, particularly in the field of education. Proposals to this effect have, however, been put on ice until the Royal Commission has dealt particularly with the central/local relationships under the Ministry of Education. It will probably take a couple of years before a decision is reached on those issues. Until then, the present financial arrangements stand.

Chapter III

FINANCIAL INSTRUMENTS APPLIED BY THE CENTRAL GOVERNMENT

GENERAL FEATURES

The use of financial instruments by central government in the field of *primary education* focuses on financial transfers to the individual communes. In principle the transfer system covers all of compulsory education, and transfers related to primary education are thus often difficult to distinguish from those aimed at education at the lower secondary level. In the following, we shall describe the total transfer system for compulsory education, leaving out, however, certain aspects that relate only to the lower secondary level.

The financial transfers basically aim at refunding actual expenditures. The local authorities are free to spend *more* than the accepted basis for refunding by central government. There are, however, two major exceptions to this rule. Salaries are fixed centrally, and a local authority is not permitted to pay higher salaries than the centrally determined scales. Secondly, selective grants for school building are dependent upon the actual costs not exceeding upper limits laid down by the central government.

The transfer system for current expenditure differs from that relating to investments, so the two systems have to be looked at separately.

TRANSFERS RELATED TO CURRENT EXPENDITURE

The main form of transfer is related to the input of teacher time, measured in terms of teacher "hours" (lessons of 45 minutes) or the equivalent. Standard costs per "hour" are calculated on the basis of average teacher salaries. The actual salary paid to an individual teacher does thus not influence the basis for transfer. The teacher costs calculated this way are refunded according to a percentage scale depending upon the fiscal capacity of the commune in question.

Actual costs of transport and accommodation of pupils are refunded to the communes according to the same percentage scale. Pupils have the right to free transport when they live more than a certain distance from school, and the right to accommodation if their travelling to school every day exceeds certain time limits. The commune is responsible for transport and accommodation. The school transport plans of the communes, which are integrated into the general local transport system, have to be approved by the county school director.

The basic cost variables determining the amount of transfer related to input of teacher time are regulated by central government. The most important regulations are outlined below.

Class size

The internal organization of the school is regulated by law. When there is one class or more at each grade, the maximum class size is 30 pupils. In schools with fewer classes than grades, the maximum number of pupils per class is lower. A school with only one class can thus have a maximum of twelve pupils, a school with two classes a maximum of 30 pupils, a school with three classes a maximum of fifty pupils, and so on. Schools cannot be established with less than 10 pupils and as a rule they cannot be maintained with less than six.

In practice, those rules lead to an average class size far below the maximum. For primary schools with six classes or more, the average is about twenty-four, while for schools with only one class the average is nine pupils.

For primary schools as a whole, the average class size is slightly less than twenty.

Input of teacher time

According to the law, pupils must have a minimum of 129 hours of instruction per week in the six grades of primary education taken together. The communes are permitted to increase the amount of instruction to 147 hours, but will not get teacher costs refunded beyond 138 weekly hours. The average is about 138 which means that pupils get an average of 23 hours of instruction weekly in each grade, usually less in the lowest grades and more in the highest.

The number of regular hours of instruction within a commune is calculated on the basis of the number of classes and the number of regular teaching hours per class as decided by the commune, within the framework of the general regulations. In addition, the commune can add 18-23 per cent to the total hours of instruction. The addition can be used for splitting up the classes in certain subjects, offering remedial education to pupils in regular schools, or a number of other special measures aimed at improved contact with parents and pupils, etc. The exact percentage of the additional number of hours is determined by the average class size within the individual school.

The time input of personnel with reduced teaching load, such as teachers with special administrative duties, guidance functions, remedial instruction, etc., are translated into the equivalent of regular teaching hours.

Special rules apply to handicapped children, who would previously have been taught in special schools. Standard costs per handicapped child are estimated on the basis of a teacher pupil ratio of 1:4. The central government pays 100 per cent of those costs beyond the average costs of a normal child.

In addition to the refunding of teacher costs in regular schools, the State also refunds additional teaching hours for special teaching allocated by the county school director, teaching hours in social and medical institutions, in hospitals and prisons, and salaries paid to personnel at the pedagogical/psychological support centres. Finally, a certain share of the expenditure of the State Pension Fund is charged to the budget of the Ministry of Education. The communes pay no part of such expenditures.

Refund percentage

The refunding of standard teachers' salaries ranges from 25 per cent in the richest communes to 85 per cent in the poorest. About 40 per cent of the communes, mostly among the smaller ones, have the highest percentage of refunding. The average refund percentage is about 62. If all current costs in primary schools are included, this means that the central government covers slightly less than 45 per cent of those costs.

As transportation and accommodation costs are far the highest in the poorest communes, the average refund percentage for such expenditures comes close to 70 per cent.

Method of determining refund percentages for the communes

The percentages are in principle determined by the Ministry of Education. In practice, we have a joint body of civil servants from the Ministry of Education and the Ministry of Local Affairs which proposes percentages for each individual commune after negotiations with the Association of Norwegian Communes, a joint body of local authorities. The percentages are fixed for a period of three years at the time, although the Ministry may change the refund percentage of individual communes during the period. This sometimes happens as a result of pressure from individual communes, arguing usually that special circumstances justify a rise in their refund percentage.

The refund percentages for communes range from 25 to 85 per cent in the case of teacher salaries in compulsory education, and the whole scale is being used. Although the interministerial committee examining the economic situation of the communes is entitled to take into consideration special economic problems of the individual local authorities, the correlation between average fiscal capacity per inhabitant and refund percentage proved to be 0.97 some years ago. Thus, criteria other than local revenue per head play a very small part.

TRANSFERS RELATED TO CAPITAL EXPENDITURE

School building for compulsory education is the responsibility of the communes, who may apply for government support, the grants being provided selectively upon examination of the individual case. On the average such grants cover only about 15 per cent of local expenditure for school building, and the richer communes do not usually get grants of this kind.

Table 7. **Actual amounts transferred from central government to the communes for compulsory education (1977 budget)**

		Mill. kr.
Regular and remedial teaching	Primary	783
Regular and remedial teaching	Lower secondary	663
Additional means for remedial teaching allocated by the school director	Primary	37
Additional means for remedial teaching allocated by the school director	Lower secondary	13
Teaching in hospitals and prisons		7
Pedagogical/psychological support centres		27
Special teaching in social and medical institutions		85
Share of Pension fund expenditures		30
Transport and accommodation		266
Transfers to current expenditures		1 910
Grants for school building		42
Loans for school building		100
Transfers to capital expenditure		142

Correspondingly, the communes can get low interest loans from the State Bank, which amount to approximately 20 per cent of the total expenditure on school building for compulsory education.

The proportion of capital expenditure which the communes have to cover from their own financial sources, about two-thirds, is thus higher than that for current expenditure, even if loans are included among transfers from government.

Amount of transfer

In the budget for 1977, the actual amounts transferred from central government to the communes for compulsory education are shown in Table 7.

Where possible, it has been shown which of these sums are for primary and which for lower secondary education; but some types of transfer cannot be separated in this way.

Chapter IV

DISPARITIES BETWEEN LOCAL EDUCATIONAL AUTHORITIES

The rationale of the system of financial transfers to primary education is to secure the same quality of education for children in all parts of the country. In order to do so, it is not enough to secure an equal level of resource input per child; the transfer system must also take into account the fact that, if the same quality of education is to be achieved, the actual costs may vary according to local circumstances. More or less successfully, the present transfer system aims at taking such cost differences into account.

It is, of course, an open question whether, for instance, the regulations concerning class size compensate for the pedagogical difficulties involved in teaching more heterogeneous classes, covering more than one grade. What little evidence there is actually points towards achievement in smaller primary schools being somewhat better than in the larger ones. Whether this is due to the difference in class size more than compensating for the more complex teaching situation or to some other factors external to the school is open to question. The teachers however, are convinced that the difference in class size is a decisive factor in this context.

The fact that government transfers are linked to teacher salaries implies the obvious risk that other current expenditures may be more open to variation according to the economic strength of the commune. Cost studies for individual schools confirm this to some extent. The proportion of teacher salaries in total current expenditure varies systematically with the economic strength of the communes, though the variations are slight.

The question of *local variations in current costs* cannot be fully answered. We assume that the prime factor behind possible variations of this kind would be differences in the economic strength of local authorities. When we find only slight correlation between economic strength and expenditures other than teacher salaries, we infer that variations between local authorities in such expenditures are probably not substantial.

As to expenditures on teacher salaries, we have tried to indicate *how* local variations can arise, and the range of such variations. The use of teaching hours per class in primary education can thus vary from 21½ to 23 "hours" a week with state refunding, and another 1½ "hour" beyond that at the expense of the commune alone. Although equally qualified teachers receive the same salaries, average teacher qualifications, both in terms of training and practical experience, may vary between local authorities. Some variations are also possible in terms of teacher input in remedial education. Most important, however, is the effect of the school size structure, which determines the size of classes, and thus the relative input of teachers per pupil. The extreme variation between

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local authorities in terms of input of teacher time per pupil caused by differences in school size may be as much as 2:1.

How all this works out in total, and what range of variation in total current operating costs is caused by such variations cannot be answered on the basis of available statistics, but such information as we have clearly indicates a negative correlation between total current costs per pupil and the economic strength of the commune in question, measured by its fiscal capacity (cf. pages 56-58).

It may perhaps be concluded that, as far as we can interpret the existing data on the relationship between resource input and quality of teaching, individual children are treated fairly equally in primary schools all over the country. The financial burden of securing such equality is not, however, equally distributed between the communes when the variations in their economic capacities are taken into account. This is partly because the differentiation of government transfers is not sufficient to counteract differences in local fiscal capacity. It is also partly the result of actual cost differences not being fully compensated for by government transfer.

We shall now examine somewhat more closely the hypothesis that actual school costs stemming from involuntary decisions by the local authorities are not fully compensated for by the present system of transfer. In order to do this, we must look at a number of the more important cost factors separately.

TRANSPORT AND ACCOMMODATION

Such expenditures (mainly transport) constitute 8 per cent of total current expenditure in primary education. However, while some communes have practically no costs of this nature, others spend up to 25 per cent of their current school budget on such items.

Transportation costs are somewhat correlated with the size structure of schools in the communes in that smaller school units tend to go together with high transportation costs. This is the simple reflection of one common factor: "scattered population". However, the interrelationship is not very close, and the variations in transportation costs cannot be integrated into a transfer system based primarily on variations in the school size structure.

Local geographical conditions are decisive for transportation costs, and costs per transported pupil vary greatly. We have found no way of adapting a more generalized system of transfers to the actual variations in transportation costs. Such transfers will therefore have to be based on actual expenditure according to approved plans for transportation and accommodation.

SCHOOL SIZE

Detailed studies confirm that costs per pupil in primary education are highly dependent upon the size of the school—a consequence of current central regulations. The smallest schools have nearly 100 per cent higher costs per pupil than the average, while schools with 3-4 classes per grade have costs per pupil about 10 per cent below the average. No further economies of scale have been found.

By and large, poorer communes have lower average school size than the richer ones. The correlation is not, however, sufficiently strong to permit a transfer system based solely on the economic capacity of the commune to

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cater for extra costs involved by small average school size. Any transfer system matching such variations will have to take differences in the school size structure into account as a separate factor.

THE NUMBER OF WEEKLY HOURS OF INSTRUCTION

Within limits set by the legislation, the communes have a certain range of choice in this matter. By and large, poorer communes have somewhat fewer weekly hours of instruction that the richer ones. A transfer system based on a standard number of weekly hours thus largely favours the economically weaker communes. This discriminatory effect will not, however, be very strong.

The need for teaching in divided classes

The use of resources for teaching in groups smaller than the normal class does not seem to be related to the size of the school, nor to the economic capacity of the commune. Variations between individual schools are only slight. There seems thus to be little reason to take variations in such needs specifically into account in designing a financial transfer system.

REMEDIAL TEACHING

Expenditure on remedial teaching varies markedly from commune to commune, both in terms of the proportion of pupils receiving such instruction, and in terms of costs per pupil taught. The possibilities for cost saving organization of such instruction also vary strongly according to local conditions.

On the average, economically weak communes have higher costs for remedial teaching than the more wealthy communes. This is probably a reflection of the problems caused by a more scattered population, and the consequent difficulties in organizing remedial teaching. The present transfer system does not take such variations into account, though the special "quota" of teaching hours for remedial purposes allocated by the county school director is assumed to compensate for this.

Extra costs due to the integration of handicapped children also vary strongly from commune to commune, and the current commitment of the government to fully cover such extra costs makes earmarked transfers necessary.

In general, any transfer system not explicitly taking into account the costs of remedial teaching will discriminate against communes with special problems in this field. Such discrimination will hit economically weaker communes harder than the richer ones.

TEACHER SALARIES

They vary considerably according to work experience and level of training. There is also a tendency for experienced teachers with education well beyond the minimum requirements to concentrate in larger schools and in relatively wealthy communities, even if this does not improve their salary conditions. The fact that teacher costs are refunded by the state according to a standard salary per teaching hour thus discriminates against the wealthier communes, which actually have to pay the teachers more. It favours the poorer communes, which probably have lower teacher costs than the standard base for refund calculations.

In some cases the effects of the current transfer system can be paradoxical. For example, poor communes get a refund of 85 per cent of standard teacher salaries. This may occasionally represent more than 100 per cent of the actual salaries paid. If one adds the 22 per cent of the salary which the teachers have to pay in local tax, it is easily understood that, in principle, hiring teachers may be quite profitable for the poorer communes. Later on, we shall return to the effects of this on the general system of central control over education.

CURRENT COSTS OTHER THAN TEACHER SALARIES

Such cost items vary little with school size when measured as a percentage of total current costs. However, as teachers tend to be better paid in larger schools, this means that "other costs" per hour taught may be somewhat lower in the smaller schools, and thus also in the poorer communes.

It may be mentioned that we have found no variation with school size in the proportion of current costs relating to materials for teaching, cleaning, light, heating, and maintenance. Administrative costs increase with school size, while costs for auxiliary personnel is relatively higher for medium sized schools.

We can thus conclude that a system of transfer based on total current costs per pupil instead of teacher salaries only would not significantly discriminate against any particular type of commune.

EDUCATIONAL COSTS PER GRADE

There are considerable differences in educational costs for the different grades. Differences in structure caused, for instance, by in or out migration could therefore conceivably play a role in the actual costs of running the schools.

A closer study of such variations indicate that the effects are rather small. To the extent that they occur, it seems that the present transfer system slightly favours the poorest communes by overrating their actual expenditure.

SCHOOL BUILDING

The relatively small size of most of the communes makes actual expenditure on school building vary considerably from year to year. We have not found it possible, therefore, to advocate a generalized system of transfer for school-building purposes that is based on some definition of standard costs. In addition, the present system permits a strongly selective use of the limited State transfers for such purposes. A generalized transfer system would probably not have the same equalization effect.

SPECIAL FORMS OF TRANSFER

Certain special types of transfer have been built into the salary regulations. Thus, teachers in the three northern counties get somewhat higher salaries than their colleagues in the rest of the country, and certain other advantages in the form of subsidies for in-service training, etc. This is assumed to have helped the northern counties to acquire a teaching staff which does not lag significantly behind the rest of the country in terms of qualifications.

Correspondingly, teachers working in the smallest schools (one or two classes) receive an extra allowance to their salary. Although this may have had an effect on recruitment, the formal qualifications of teachers in the smallest schools are still lower than those of teachers in schools with one class per grade or more.

Generally the effect of such measures are uncertain, and they are probably maintained mainly on the basis of faith, or, at least, a symbolic expression of a political wish to counteract the disadvantages of certain school types and some geographical districts in terms of teacher recruitment. But what is probably far more important in this respect is the legal ban on local contributions to teacher salaries in wealthy communes. At present, it seems that the most attractive teacher posts in primary education are in schools of 150 to 200 pupils, located in smaller, semi-urbanized centres.

CONCLUDING REMARKS

The present transfer system for compulsory education appears fairly successful in securing a reasonable level of equity in the quality of services offered to individual children all over the country. This is also true within the individual communes, as the central regulations for resource allocation are mostly tied to the individual school.

The question of *what aspects of educational services have been equalized* all over the country has been fairly extensively discussed already. We have mentioned the regulations of class size, aimed at equalizing the burden on teachers, and the limits to the input of teacher time for various purposes. To this must be added curriculum regulations and minimum requirements in terms of buildings and equipment in various subjects. Teachers have the same teaching obligations, depending however, on subject and level. They also have the same salaries, again depending on length of training and practical experience. The "better teachers" referred to as concentrating in wealthier communities are simply teachers with more than minimum levels of required teacher education, or longer experience.

The system is less successful in equalizing the burden of financing primary education as between the communes in relation to their economic capacity. Actual cost differences due to factors beyond local control are partly compensated, but not sufficiently to prevent relatively heavier burdens on certain communes, largely among the economically weaker ones. Financially, some local authorities will have to spend relatively more on education than others in order to fulfil their legal obligations. Since the "burden" in this case cannot take the form of higher local taxes, it will have to come out in terms of reduced services in other fields within the framework of a given level of local taxation and the central government subsidies.

The present system also has a number of side effects, influencing other education policy goals than those related to equality. The search for alternative forms of financial instruments based on the transfer of funds from central to local government is inspired by the aspiration to maintain, or even improve, their effects in terms of equality objectives, and at the same time to ensure more satisfactory effects on other educational goals. In the following paragraphs we shall discuss the effects of the present system as compared with two alternative systems of policy measures regulating the operations of primary education.

Chapter V

POLICY GOALS PARTICULARLY INFLUENCED BY FINANCIAL INSTRUMENTS

The present situation in Norwegian compulsory education is the result of a century's struggle to achieve equal educational chances for all children, irrespective of social origin or geographical location. Equality is however an evasive goal. The development of new and more ambitious targets in this field sometimes make the target seem as distant as ever. Yet, looking slightly more than 50 years back to a compulsory school system ranging from selective, high standard schools for the children from the upper class, to the badly staffed, often ambulant schools offering primary education twice a week to children in poor areas remote from the centre, a good part of the way has clearly been travelled. Norwegian politicians from all parties regard the present equality of standards in compulsory education all over the country, including the substantial additional resources geared towards special needs, as a major achievement in educational policy.

Key instruments underlying this achievement have been somewhat centralized policies in terms of not only compensating for local economic disparities but also establishing rather strict rules for resource requirements, curricula and even to some extent methods. Such policies, however, run counter to current political trends towards more independence and autonomy at the local level. More ambitious definitions of equality have to take into account that it also may imply the right to influence the criteria according to which a definition of performance or achievement is being employed. Equality as a concept has many dimensions, and one of them relates to the possibility of each individual attaching his own particular value to each of these dimensions.

This is not only a matter of power distribution between central and local authorities. It is also a matter of autonomy for the local community versus professional/institutional autonomy, as well as a matter of internal democracy within institutions, including the right for the clients of the system, the pupils and their parents, to influence their own situation. Forms of financing are likely to have an impact on most of these issues, and should at least be designed in a way so as not to counteract policy objectives promoted by other instruments.

Central government, local authorities, individual institutions and the different partners in and around the institutions may wish to allocate resources according to different value structures. Regulating the rules of this power game is primarily a matter for central government policy. However, beyond that, there is also the question of where the most appropriate insights for marking such decisions are located. The central government has general policy concerns which could easily be violated by too strong deviations in individual communes or institutions. Local political authorities define their own needs in ways which may or may not coincide with professional judgements made by the teachers. The pupils have the most profound insight into what the educational process really means to them, and they cannot always trust others to interpret this adequately.

Consequently, decisions should be located at the level where the most appropriate insights can be brought to bear upon them. Systems of financial instruments should be so designed as to locate allocation decisions at such a level.

Finally, policy instruments designed to serve many objectives and concerns, tend to become extremely complicated, causing extensive administrative work, misunderstandings and consequent control measures. This is true for various legal instruments, as well as for financial instruments and informative ones. It is in itself an objective to develop policy instruments that are easy to handle, are understood by all concerned, and are simple to control.

Such requirements may easily conflict with equality objectives and concern for "fair" treatment of various interests. But it is also partly a matter of economy in the use of instruments. A frequent fallacy in public policy is to examine individual instruments as if they alone should serve all relevant objectives. As the relevant criteron is the total effect of a concerted set of instruments, such claims upon individual instruments easily impose quite unnecessary rigidities upon their design. A typical example in this respect is the widespread misunderstanding that each form of public financial transfer should serve desirable income redistribution aims, in addition to their primary objectives. It should be fairly obvious that if the totality of policy instruments leads to a reasonable income distribution, there is no reason to impose such conditions upon each of the instruments. The attempt to impose such conditions is usually just a reflection of a lack of concerned policy in public finance.

There is also an important relationship between the question of simplicity in instrument design and the aim of increased local and individual autonomy. Legal and financial rules tend to become so complex that only a few experts can master them and judge their rationale. This in fact excludes local authorities and other individuals and groups concerned from the possibility of evaluating the rules of the game in which they take part, and prevents them from fighting efficiently for such changes in the rules that would serve their interests. As an example, it could be mentioned that on the basis of detailed cost studies, we are in a position to design an extremely complex regression equation which could form the basis for what would appear to be an absolutely "fair" transfer system to the communes. It would take into account practically all involuntary variations in the costs of running local educational systems. The disadvantage, however, is that no one at the local political level or within the schools would be able to work out how the resulting figures were arrived at. They could not determine whether or not they got the right amount, and they could not quarrel that the rules were not being followed the way they ought to be. As a consequence, we have deliberately abstained from this abstract form of "justice", and we have strongly advocated a simple set of rules, easily understandable in its effect, and open to criticism by those concerned for its various weaknesses.

The policy concerns that have been in the foreground in Norwegian discussions about the system of financial transfer for compulsory education have been officially summarized in terms of the following requirements:

- The system should contribute to the achievement of equal quality of education in all schools in all parts of the country.
- The system should provide the communes with financial support which compensates for disparities in fiscal capacity.
- The system should permit the development of more local autonomy in the matter of schools.

- The system should stimulate the best possible utilisation of available resources.
- The system should be technically and administratively simple and offer easy means of control.

Chapter VI

RELATIONSHIPS BETWEEN FINANCIAL INSTRUMENTS AND POLICY GOALS

ALTERNATIVE SYSTEMS OF FINANCING

The effects on various policy objectives of a given set of financial instruments cannot be evaluated in the abstract. Explicitly or implicitly, reference must be made to some alternative set of instruments that would serve such objectives for better or worse. In the Norwegian case, it would make little sense to choose as an alternative an educational policy which makes no use of financial instruments by the central government.

Against this background, therefore, we have chosen to examine the effects of the present system of financial instruments as compared with the two alternatives mentioned previously: the generalised block grants system from central government to local authorities advocated by the Royal Commission on reforms in local administration, and the standard pupil cost system developed within the Ministry of Education, which has been put aside until the general relationship between central government and local authorities becomes more clearly defined.

BLOCK GRANT SYSTEM

The generalised *block grant system* would operate so that all present forms of ear-marked transfers from central government to the communes would be transferred in the form of a block grant, based on an assessment of local economic capacity. The block grant would secure each commune approximately the same total amount of transfer from central government as presently.

STANDARD PUPIL COST SYSTEM

The *standard pupil cost system* would involve earmarked refunding of current educational costs, based on standard costs per pupil, differentiated according to school size. As the basis for refunding would be increased, the percentage scale of refunding would have to be transformed correspondingly. Instead of 85 per cent maximum refund of teacher salaries, the refund percentage of total pupil costs would be 57 per cent, and correspondingly the minimum refund of 25 per cent of teacher costs would become 17 per cent of total current costs per pupil.

The simplification of the present system involved in using standard pupil costs as a base would slightly affect the actual transfers to individual communes as compared to the transfers made on the basis of the present system. The average deviation would be small, some three per cent, and the deviations would not be systematic in terms of the characteristics of the communes, such as size, fiscal capacity, degree of urbanisation or type of economy. Only in a handful of communes would the deviation from the present system exceed 10 per cent. The work on this alternative has been based on the assumptions that it is not politically feasible to reduce the transfer to any individual commune significantly nor could the total amount of transfer from central government substantially be increased. It has, therefore, been proposed that deviations from the present system should be taken care of by modifying the refund percentages for individual communes in the first year of the new system. This would bring into the system some of the more special concerns which the simplified standard pupil cost system could not take into account. The refund percentages for individual communes would be subject to negotiations and revisions every third year, as is the case at present.

It has been found impractical to include in the standard pupil cost system transfers relating to transportation, accommodation, and to school building. Such transfers would have to be maintained in their present form. Alternatively, the transfers earmarked for school building might be included in the existing, limited block grant system, while transfers for transport might be part of a separate transfer system for local transportation under the Ministry of Communications.

EFFECTS ON EQUALITY

Certain aspects of the present transfer system favour economically weak communes, such as for instance the use of standard salaries as a basis for the calculation of expenditure to be refunded. A standard student cost system would extend such effects in assuming a standard number of instruction hours and a constant proportion of expenditures other than teachers' salaries. But it would work in favour of wealthier communes by assuming a standard proportion of expenditures for remedial teaching. In total, the effects of the two systems in terms of equalisation between the communes appears to be about the same. One special feature of the standard pupil cost system is, at least in principle, more favourable for equalisation. The selectiveness of the present system is hampered by the fact that refunding 85 per cent of teachers' salaries means that teachers are free or even profitable to hire so far as the relevant commune is concerned. This again calls for extensive legal control measures. Using total current expenditure as the basis for refunding permits a more selective treatment of individual communes and opens up the possibility of better compensation for differences in fiscal capacity as between the communes.

As concerns equalisation effects, the block grant system falls short of the other two transfer systems. The equalisation effects of the total set of central government transfers to the communes are much weaker than those of the earmarked transfers for educational purposes. This does not, of course, influence the total situation of the communes, but it violates strongly the principle of going further in equalising services to children as distinct from public services in general. This is the main reason why it seems improbable that Parliament will eventually accept such a fundamental set-back for one of the most important aims of educational policy throughout this century.

In terms of the individual child, the effect will have to be judged according to whether one puts more trust in the wisdom of local decisions as to how resources could be allocated than in the wisdom of the central government. In Parliament it is clear that this trust is not always without limits. Thus, the increased responsibility of the communes to provide special education for handicapped children is accompanied by fairly strict rules to ensure that additional resources provided by central government are actually used for those children. Correspondingly, there is reluctance to leave decisions on the extent to which additional resources should be devoted to the education of ethnic minorities (Lapps, Finns, foreign workers), or even decisions on resource allocation between various subjects of study, completely to the local authorities.

Countrywide salary scales and teaching obligations will also be maintained, irrespective of the system of financial transfers.

It is probable that a generalised block grant system would, in itself, influence local decisions in a way that makes schools more dependent upon local economic strength. This must be assumed to influence the amount of resources devoted to children's education, and thus produce increased inequality in education unless it is counteracted by other policy measures.

DECENTRALISATION OF DECISION-MAKING

The present system of financial instruments is backed up by a series of legal regulations, whose primary purpose is to limit excessive use of resources. The fairly detailed regulations on the use of teachers' time have only partly pedagogical motivations; to a great extent they are justified by the need to prevent such over-use of resources. This is a major reason for the search for an alternative financing system, based on standard pupil costs. As refunding will be conditioned by actual expenditures, it will encourage communes with low spending levels to expand towards the standard level. On the other hand, it will discourage communes from expanding beyond standard expenditure levels, as they will have to cover such additional expenditure fully from their own means. Thus, special regulations could reduce resource inputs to those that have a purely pedagogical motivation, and many more decisions on the allocation of resources could be taken at the local level.

It is important in this context to leave more freedom at the local level to choose between input of teachers' time and other types of resources. Futhermore, the concept of a class, the size of which should be strictly regulated, can be abandoned in favour of more flexible groupings of pupils. Cost standards have only to be regulated in terms of the total number of pupils in a school to permit the smaller schools offering what is intended to be an equal quality of teaching.

A special problem with the present system is that it defines resource allocation in terms that leave very little room for local political authorities. The present rules allocate practically all resources in the form of teacher time to the individual school, leaving only marginal decisions to the local school board. At least in principle, a transfer system based on standard pupil costs would permit more discretion for the local school boards.

In principle, a generalised block grant system goes even further in terms of leaving decisions to local authorities, including decisions on the relative priority of educational expenditures as distinct from expenditures for other purposes. In practice this may not be the outcome of such a system. In its preliminary debate on the proposed reforms in local administration, Parliament was aware that a generalised block grant system might endanger the achieved level of equality in education. It was at the same time generally in favour of the increased autonomy of local authorities implied in the general proposals by the Royal Commission. As a compromise, it indicated that unwanted effects of a block grant system on local educational spending could be counteracted by a stricter system of legal commitments for the communes on educational spending. However, such a shift from the use of relatively flexible financial instruments (leaving a certain amount of discretion to local authorities) towards a more rigid system of legal regulations may work against the objectives of the local administration reform. The communes might find themselves in a position where they will have to spend as much on education as before and have even less influence on how these resources should be allocated. This is an interesting example of interplay between various types of public policy instruments, whereby the shift in the form of instruments used may, in fact, lead to a situation even further removed from the intended objective.

EFFICIENT RESOURCE UTILIZATION

Irrespective of one's ideas as to where the most appropriate insights relating to resource allocation decisions are located, the present financing system has certain built-in weaknesses which invites suboptimal allocation of resources. For instance, the present system strongly subsidizes the use of teachers' time, while the full burden of other expenditures rests on the local communities. On the other hand, both the alternative systems of financial instruments would remove such effects on the local allocation of resources and this would probably lead to a better balance between the various resource inputs. The same may apply to the alternative uses of teachers' time. However, to the extent that decisions on resource allocation mainly rest with the teachers in individual schools, there is a need to safeguard against a too far-reaching substitution of specific teacher interests for those of the pupils. The balancing of various interests involved in the school community must be a matter for central control. In general policy terms there is, for instance, a close connection between the attempt to decentralize decisions within the school system and the building up of a new structure of internal control within the school, leaving more influence to the pupils and parents, and possibly bringing local authorities more actively into the picture. In this context, the present system of financial instruments may act as a major hindrance.

ADMINISTRATIVE SIMPLIFICATIONS

Practising and controlling the present system of financial instruments requires a considerable amount of work, both at the central and local level. A system based on standard pupil costs would imply a substantial reduction of the administrative work load. It also appears much easier to understand, and possible future changes in the system could be relatively easily negotiated between the central government and the communes.

A generalised block grant system would in principle remove the function of administering a transfer system from the Ministry of Education, although it may lead to some additional complications within the Ministry of Local Affairs which would be handling the block grant system. Locally, the administrative burden would probably be greater. If the present standard of control is to be maintained through expanded legal regulations, the total administrative work load may easily increase beyond its present level, both centrally and locally. The control, especially, might be quite time-consuming whereas a standard pupil cost system would only require a general checking that the funds earmarked for education were actually spent for this purpose.

It should be added, however, that the present system of financial transfer is our main source of data on actual resource utilization in the school system. Alternative financial arrangements will remove the need for such data for control purposes, but there will still be a need for some general follow-up of what happens to resource standards and utilization within the schools. It will be necessary, therefore, to establish a separate system of statistical data collection. Such a system will not, however, require the same amount of work as one designed for control purposes, and it could be devised so as to provide more relevant information than the statistical spill-over from the present administrative data gathering.

Chapter VII

CONCLUDING REMARKS

The most interesting aspect of the use of financial instruments in relation to compulsory education in Norway, is, perhaps, *not* that it has proved possible to achieve a fairly equal geographical distribution of educational services and a reasonable degree of adaptation to special local resource needs beyond local control. In principle, such effects can probably be achieved by the financial instruments presently applied in many countries, at least with some relatively obvious adaptations. The key issue in this context is whether there is a political willingness to give sufficient priority to such objectives, and to accept their practical consequences.

Correspondingly, there is little reason to think that a genuine political will to increase local autonomy has ever been prevented from exerting itself by the lack of knowledge of appropriate financial instruments. In this case too, appropriate instruments are available provided there is the will to use them.

One particular aspect of this problem should be mentioned. There is a firm conviction in most countries at the local level that financial transfers from central political authorities necessarily involves a commensurate amount of influence by these authorities. It is quite clear, however, that financial instruments can be designed in a way that does *not necessarily* have such effects. It is also equally clear that obtaining such influence is often a central authority's *prime motive* for such transfers. Probably the actual connection between the use of financial instruments and more general influence on decisions stems from an interplay between financial and legal instruments. Strict central control based on legal regulations is probably more easily accepted and more easily maintained when backed up by extensive financial transfers. The kind of control needed to implement legal regulations in a system with full economic autonomy (in relation to educational authorities) at the local level is probably too costly in political terms to be maintained in the long run.

This may point to the conclusion that although legal policy instruments may often be replaced by financial instruments without any major loss of central control, the reverse form of substitution may be more difficult to achieve. Replacing financial instruments by legal ones will probably be felt locally as a tightening of control, yet, in the long run, it may in fact lead to a substantial loss of control by the central authorities.

The question of *interplay between various types of policy instruments* may be the most interesting one in the case of Norway. Generally, there is a pressure towards replacing rather rigid legal instruments by "softer" financial instruments, leaving more discretion with local authorities and institutions. Furthermore, central policies are increasingly promoted by the use of informative policy-instruments, involving no prescriptive elements. Following such a pattern would probably have been a better strategy for reforms in local administration aimed at more local autonomy. The attempt to cut the many-faceted financial relationships between central government and local authorities may be premature and it may serve the stated aims badly if carried out before the system of legally based instruments for central government's control has been considerably modified.

A general lesson may be that in a complex system such as education, where the central government is committed to a wide range of objectives, policy implementation is probably best served by the availability of a wide range of different instruments, otherwise individual instruments may well be over-charged with too many tasks, with detrimental effects on the achievement of them all. Another possibility is that the central authorities define their concern for education in terms only of a few of the many objectives education is expected to serve (manpower supply, cognitive achievement criteria, etc.). Their intervention will then tend to distort the operations of a system which at the local level tries to serve a much wider set of purposes[1].

Similar problems arise at a higher level connected with the integration of educational policies with policies for society in general. Once more, there is a tendency to overcharge a relatively limited set of policy instruments to make them serve a series of separate objectives. The effects of educational spending (especially on higher education) on income redistribution have already been mentioned as an example. It appears that the problem arises primarily in countries where there is a lack of available policy instruments working directly on income redistribution.

Maybe the final lesson to be drawn stems from the highly political nature of the issues examined in this study. Clearly, the question of designing policy instruments in general, and financial instruments in particular, is not primarily a matter of professional insight, in economics or any other subject. The "technicalities" of, financing have in fact far-reaching political implications, and should be decided upon in full awareness of this fact, by bodies charged with appropriately broad political responsibilities.

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[1] There is an interesting parallel here, with the history of OECD educational activities, which at some stage were based on the assumption that an international organization can deal with educational policy in terms of one of its objectives only. The organization was rapidly faced with the choice of dealing with relevant objectives as seen by the Member countries or, in fact, leaving educational policies alone.

Annex

SOME OTHER FINANCIAL INSTRUMENTS

In this study a number of potential instruments for financing have either been omitted or just touched upon in passing. This is partly for simplification, and partly the result of judging what is politically relevant in a Norwegian setting. Nevertheless some of them should, perhaps, be mentioned briefly for completeness sake, and the following seem to be most important.

Public financing of private educational institutions has not been dealt with, mainly because it is a rather marginal phenomenon in Norway. Its most interesting aspect is perhaps the financing of adult education, which mainly takes the form of government subsidies to a number of country-wide adult education associations, mostly with ideological, religious or interest group affiliations. It may be worth mentioning that subsidies covering 80 per cent of their operational costs are provided in proportion to the volume of their activies. No definite budgetary limits have been established, probably in order to avoid a situation in which the ministry would have to evaluate the performance of the individual organizations, or set priorities in terms of types of courses offered. Instead, specific rules have been set for the recognition of associations as eligible for support. The most important is perhaps the requirement that an association shall be "democratically based". This is interpreted to mean that, not only its leadership should be chosen by its members and clients, but also that the students themselves should have an influence on the courses offered to them.

Loans and grants to students have not been mentioned because they do not apply to compulsory education. Such instruments are extensively used in upper secondary and higher education. It may be noted that the only form of selective use of such instruments that is politically accepted is in terms of individual economic needs. Hence, they cannot be used, for instance, as a reward for performance.

Private payments for educational services are not found politically acceptable in Norway. The same applies to voucher systems to individuals to permit them to "purchase" education. The reason is simply the wish to maintain the hard won system of qualitatively equivalent institutions, which ensures that parents and pupils will normally assume that the nearest school is as good as any other. We have little faith in competitive principles for the operation of educational institutions, because the gains of a few institutions are always paid for by the loss of others. The final loosers would inevitably be the children who had to attend the latter, who probably would be those most in need of good education.

We also find it somewhat irrational to use educational services as a means of increasing revenue through fees, even in institutions mostly attended by students from families with above average income, or students who, in the future, will probably end up with more than average income. We tend to tax high income rather heavily, but we see no reason why the tax should be higher for those who have children in educational institutions or those who reach a high income level because of their educational attainment.

Cost item specific financial instruments are not extensively used in Norway. One may, however, regard the support for educational research experiments and developmental work as one example. Correspondingly, direct appropriations for institutions of special education, or transfers earmarked specifically for similar purposes may be regarded in the same light. The incidence of tying the transfer system for current expenditure to teacher salaries is a matter of administrative convenience and not an intentional use of cost items specific instruments. The question remains open whether the future will see more extensive use of such financial instruments. There is already an element of subsidising teaching materials in Lappish, the weaker of the two Norwegian languages, as well as in more specialised subjects where the private market does not operate satisfactorily. This may develop further, but the purpose would not be to subsidise the use of materials in general, or specific types of materials. The targets are specific minority groups. By and large the tendency in the future will probably be to show great caution in intervening in what can be regarded as the pedagogical process, with transfers defined in terms of input categories.

SWEDEN

by

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Chapter I

GENERAL DESCRIPTION

HISTORICAL BACKGROUND

The original school system in Sweden consisted of the old academic schools dating from the Middle Ages. These were built and maintained by the Catholic Church. They were few and situated in the old cathedral cities. After the Reformation in the 16th century they came under the government. The city authorities financed the buildings, the government financed the salaries for teachers and the cost of materials.

By law, dating from 1842, schools for all children, compulsory schools, were to be built in all parishes, these parishes being the original municipalities in Sweden. They had for hundreds of years managed their own business such as building the parish church, caring for old people, and so on. They were of different sizes and it was a long time before the law for school-building was implemented throughout the country. Furthermore, the original state schools still existed in the cities as schools for upper-class children and for children from the countryside who wanted to enter the church. This parallel school system continued until 1927: the children of wealthy people and of the old ruling classes going directly to the governmental schools in the cities. From that date, however, all pupils had to spend four to six years in the compulsory school. From 1962 the parallel school system was abandoned altogether and the compulsory and comprehensive nine-year school was introduced.

The old compulsory schools were financed through taxes paid by the inhabitants of the parishes. Consequently their standards grew very unevenly according to the variable amount of taxes raised in different parishes and the variable interest of the inhabitants.

In order to even out the standards of the compulsory schools the government began to pay grants. These first grants went to supplement teachers' salaries, the government paying a percentage on condition that the school boards in the parishes paid a certain minimum and maintained a stated pupil/teacher ratio. This policy was strongly supported by the teacher unions, and the amount of the grants was gradually raised until, by 1935, it comprised the whole salary cost (with some unimportant exceptions).

When the big school reforms began in the 1950s and the 1960s it became obvious that the old medieval parishes were too small to be able to run the new nine-year-compulsory system. Two or more of them were then combined into new, larger local municipalities so that, in 1952, some 2000 parishes became absorbed into 278 municipalities. At about the same time the government

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grants for the running of the schools were complemented with new provisions for investment in school buildings and, during the 1960s, for new material equipment for the schools.

In the 1960s the municipalities took over responsibility for the last part of the old State school system, the gymnasium (the upper secondary school). From 1971 these were integrated with the vocational schools into the new gymnasieschools, which were large enough to receive and instruct all pupils between 16 and 19-20.

A crucial factor in this whole process has been the fundamental connection between the State grant and the teachers' salaries. To be able to control the amount so disbursed the government had, of course, to control the number of teachers and the number of hours taught (although the internal organisation of the school remained a matter for the government, the NBE, and the State county boards). This strong *financial* reason for close State control was complemented with an *ideological reason:* the desire to give the same opportunity of education to all pupils irrespective of the type of municipality in which they lived.

In the following chapter we will look more closely at this central control system, but before this a few words about the legal structure of the country may be useful.

THE LEGAL STRUCTURE

Sweden is a single State, not a federal one. Consequently all power is vested in Parliament. In practice, the government must have the support of the majority of the parties represented there.

The government consists of about 20 ministers, two of whom head the Ministry of Education. The staff of the Ministry is relatively small and their work is mainly limited therefore to drafting government Bills to the consideration of general financial problems. More extensive investigations preparatory to the drafting of legislation are undertaken by specially appointed Parliamentary Commissions.

Immediately subordinate to the government is a number of central administrative boards covering different fields of administration, one of which is the National Board of Education (NBE).

Sweden is divided into 24 regions, or "counties", which are not traditional units. They were created in 1862 as suitable regions for the medical services and the competence of the county councils that manage them is carefully prescribed by legislation. In addition to their responsibility for the medical services these councils are responsible for certain types of schools (see below).

Sweden is also divided into local municipalities. Unlike the counties, these date back to the Middle Ages. As described in the previous chapter they were originally made up of the old medieval parishes.

The State, the counties and the municipalities are all entitled to levy taxation. This is, of course, a fundamental fact, nor is there a maximum limit to municipal taxation rights.

The division of power

The division of power between State, counties and municipalities is closely regulated in legislation enacted by Parliament. The old tradition—confirmed in the legislation—is that the municipalities shall have full decision-making powers as concerns their own affairs, "own affairs" also being defined by legislation.

Nevertheless, to a great extent the policies of the municipalities are subject to laws and government regulations. At present, however, there is a pronounced political tendency to leave the municipalities wide scope in the management of their own affairs.

CENTRAL CONTROL OF THE SCHOOL SECTOR

The central control derives from legislation and is exercised by the government, the National Board of Education and the Board's representatives in the counties. Education is not mentioned in the Constitution but there is a great deal of legislation specifically referring to school activities, such as the Education Act, the Pre-School Education Act, and the Care of the Mentally Retarded Act. There are also many other acts that concern society as a whole and consequently the school sector also, e.g. the Workers' Protection Act and the Security of Employment Act.

The Education Act

The Education Act (1962) provides the basic regulations for the school system. It lays down the duration of compulsory schooling (from seven to sixteen), the division of elementary school into nine grades, the organisation of the school health services, the institution in every municipality of a local education authority (LEA), and so on. All instruction is free of charge and all pupils get their textbooks and school material free. This is, of course, a prvosion that has great influence on the municipal economy.

The Education Ordinance

But the Education Act only provides an outline. What it does additionally, however, is to empower the government to promulgate *Ordinances* which regulate in detail the organisation of school activities.

These ordinances state which subjects—compulsory or optional—are to be taught in schools, how study and vocational guidance is to the organised, on what scale open-air activities are to be organised, what teaching materials are to be used, how many students there may be in a class, how long lessons may last, how remedial instruction is to be organised, how marks (or merits) are to be awarded, on what conditions students are to move from one grade to another or spend two years in the same class, how many headmasters and directors of studies there are to be and what duties they are to have, what the structure of teaching appointments is to be and what qualifications are to apply to different appointments, what procedure is to be followed when appointments are filled, what duties are incumbent on different teachers, and so forth.

The curriculum

The Elementary School Curriculum (adopted in 1969) is valid for all schools in the whole country. It contains:

- — aims and guidelines
- — time schedules (for all grades)
- — syllabuses (for all subjects).

The time schedules state the number of lessons allotted for each subject and the occasions on which a class may be divided. The syllabus—often comprising just a few lines of print—states the main teaching items of a subject.

The national Board of Education supplements the curriculum with methodological instructions for different subjects. These instructions, however, are only suggestions, so that the individual teacher has a great deal of freedom where methods are concerned.

The agreements

It is important to note that, as we have said, agreements concerning rates of pay, working hours and general conditions of service for teachers and headmasters are concluded centrally and not by the municipal authorities.

Formerly there was a relatively distinct boundary between matters that were the subject of political decision in Parliament and/or in municipal councils and matters that were decided by negotiation—there being a sector that was closed to collective bargaining in order to safeguard the sovereignty of the electorate. But, at the same time as employees in the private sector have been acquiring greater influence at work, there has been a desire to ensure that public servants also shall keep pace with this advancement. Thus, a great many questions connected with the direction and allocation of work have become eligible for negotiation as from 1st January, 1977, and such matters such as the duration of lessons, their position on the timetable and so on will now be governed by negotiated settlements and not by the Education Ordinances.

SPONSORSHIP OF THE SCHOOL SYSTEM

As was shown in the preceding section, the State exerts considerable influence on the details of school activities by means of legislation, ordinances, curricula and collective agreements. But the State itself sponsors only a very few schools: universities and colleges, teacher establishments and merchant marine officers' schools. But there are only two types of State-run schools for children of statutory school age:

- — remedial schools (for the blind and deaf and for children with severe speech defects);
- — approved schools (for children taken in charge for public care).

The State sponsorship of these schools is at present under review.

County councils have more responsibilities than the State in the field of youth education. County councils are among other things responsible for medical services in their county council areas, and they also run nursing schools, training establishments for other categories of care personnel, as well as upper secondary schools for agriculture, forestry and horticulture. Where children of lower school age are concerned, the county councils are responsible for the training (and other care) of the mentally retarded. These special schools for the mentally retarded, however, are very often integrated with ordinary elementary schooling in the municipalities in the sense that a school has been jointly built by the county council and a municipality or that the county council rents facilities and services in a municipal elementary school.

Altogether the children attending State remedial school or county council special schools do not comprise as much as one per cent of each generation. Thus ninety-nine per cent of all children in Sweden attend elementary schools, and these schools are sponsored by the municipalities.

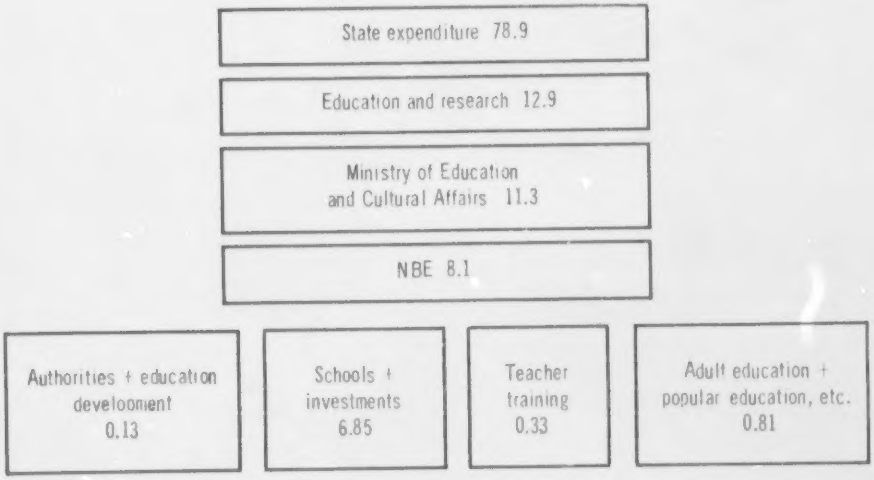
Chapter II

FINANCE

GENERAL DESCRIPTION

Figure 1 shows NBE expenditure in relation to the whole of State expenditure for 1975/76.

Figure 1 The NBE's share of State expenditure
Index 1975/1976 (Skr. 1 000 m.)


State expenditure 78.9
Education and research 12.9
Ministry of Education and Cultural Affairs 11.3
NBE 8.1
Authorities + education development 0.13
Schools + investments 6.85
Teacher training 0.33
Adult education + popular education, etc. 0.81

Thus, of the total State expenditures of 78.980 millions, 12.900 millions were spent on education—which is about 16 per cent. All this money for education did not go, however, to the Ministry of Education, which received only 11.300 millions. Of the money that went to the Ministry of Education, 8.100 millions were allocated to the area of responsibility of the NBE. The rest went to the Universities' Board and to other recipients.

As the figure shows, the NBE used 6.850 millions on schools (primary and secondary) 333 millions on teacher training, and so on. So, of the total governmental expenditures of 78.900 millions, 6.850 were spent on schools—some 8.7 per cent.

Table 1 shows the distribution of State educational expenditure for different purposes as between 1960/61 and 1972/73.

Table 1 **State educational expenditure for various purposes expressed as percentages**

	1960 1961	1972 1973
Ministry of Education and Cultural Affairs	0.23	0.34
Operational grants to elementary schools	40.5	42.4
Operational grants to upper secondary schools	22.2	14.7
Adult education	1.7	5.8
Teacher training	2.7	3.6
Higher education and research	10.3	17.0
Cultural purposes	2.4	4.8
Operational grants to special schools for mentally retarded	0.08	0.23

From this Table it can be seen that the running of elementary schools has accounted for over 40 per cent of State expenditure in the educational sector and that expenditure for the upper secondary schools has diminished in relative importance during the period. This, of course, derives from something already mentioned, namely that, in the middle of the 1960s, the municipalities took over the running of the old gymnasiums.

The financial engagement of the State in educational business is consequently a heavy one. Nevertheless school finance does not bulk as large in State as in municipal budgeting. In State budgeting the whole educational system accounts for about 16 per cent and the primary school sector for 7-8 per cent of the total expenditure; in the municipal budget, however, the share of education as a percentage of total expenditures and investments is as shown in table 2. The grants from the State account for about half the costs of the operational budget in the educational sector in the municipalities. See Table 3.

Figure 2 indicates the complexity of the system just described. One has to consider, not only the state grants-in-aid and the municipal net expenditures, but the tax equalization grant and other revenue as well. The sketch is shown from

Table 2 **Education's percentage share of the total expenditure and investment by the municipalities**

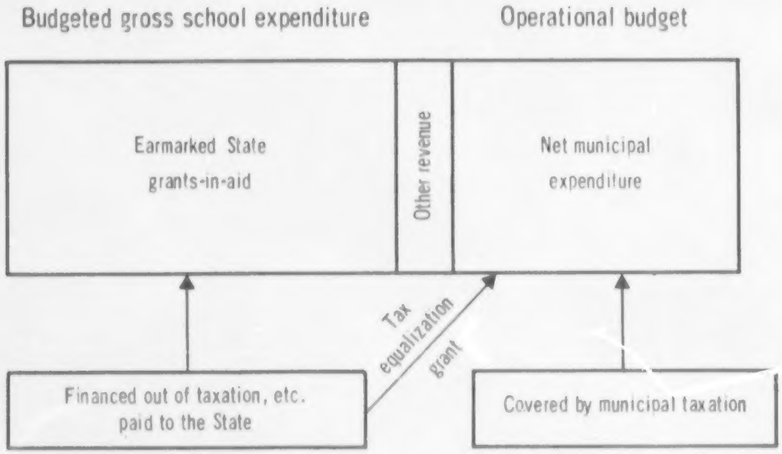
	1960	1965	1970	1972
Gross expenditure	23.0	24.5	25.9	26.1
Investments	19.9	17.3	17.1	14.4
Total expenditure	21.3	21.4	22.6	22.7
Net expenditure	27.3	28.9	30.6	33.0

Table 3 **State grants-in-aid as percentages of gross expenditure and investments in the education sector**

	1960	1965	1970	1972
State operational grants-in-aid as percentage of gross expenditure	**48.7**	**48.0**	**47.2**	**47.1**
Estimates for Local Government, Housing and Social Services Education only	53.7	50.9	50.9	49.3
State investment grants as percentages of investment costs	23.8	19.1	21.6	20.3
Estimates for Local Government, Housing and Social Services Education only	25.6	19.7	22.2	21.0

the municipal point of view which is natural because, as already mentioned, the municipalities have to sponsor almost all schools and to budget all their costs. The State grants-in-aid are no more than a form of revenue similar to the municipality's income from the selling of electricity.

Figure 2 **The sources of finance in a municipal operational budget for the school sector**


Budgeted gross school expenditure
Operational budget
Earmarked State grants-in-aid
Other revenue
Net municipal expenditure
Tax equalization grant
Financed out of taxation, etc. paid to the State
Covered by municipal taxation

NATIONAL AND LOCAL INCOME TAX

No specific charges are levied to help finance the school system, nor are there any earmarked national or local taxes for this purpose.

Local income tax

The part of the school system that is financed out of municipal revenue draws on local taxation. This is levied on income from employment, capital, and business and from property in the municipality, and it is applied in proportion to a certain percentage rate. It is payable by both actual and legal "persons" (the latter including companies and the like). Proportional income tax is the overwhelming component of revenue, while property tax is almost negligible. Companies and other legal persons account for no more than 7 or 8 per cent of the revenue basis. Consequently the taxation imposed on the incomes of ordinary wage earners is a crucial factor.

The great variations in taxation resources between different municipalities are partly due to the uneven distribution of business profits. In municipalities with very good taxation resources, a great deal of the revenue basis usually derives from the taxable profits of one or more large firms. Other important causes of variations of taxation resources are the distribution of population between different income levels and the employment participation rate, both of which in turn are influenced by the age structure of local populations. The importance of a tax equalization grant is therefore obvious.

State taxes

The grants-in-aid from the State come from its general finance resources, derived from progressive income taxes, from value-added taxes, from taxes on companies, and so on.

THE TAX EQUALIZATION GRANT

The tax equalization grant is paid from the State to most of the municipalities. The Act from 1973 reads as follows:

> "The municipality is assured of a revenue basis equalling the following percentages of the mean taxation resources:
> 130%: the municipalities of the County of Norrbotten except for Luleå and Piteå, Lycksele, Sorsele, Storuman, Vilhelmina and Åsele.
> 120%: Luleå and Piteå, etc.
> 115%: etc.
> 110%: etc.
> 100%: etc.
> 95%: all other municipalities."

Thus all municipalities in Sweden are assured of at least 95 per cent of the mean taxation resources. Certain municipalities—practically all of them situated in the sparsely populated areas of northern Sweden—are judged to have higher levels of expenditure and are guaranteed up to 130 per cent of mean taxation resources.

The equalization grant is of very great importance in many municipalities. But in the whole country this grant accounts for only a small part of municipal revenue compared with earmarked grants. In 1972, the earmarked grants brought in 19.8 per cent of the municipal revenue and the tax equalization grant only 3.1 per cent. These percentages refer to municipal activities as a whole. As indicated earlier, earmarked grants predominate still more in the school sector.

CHANGES IN THE FINANCIAL SITUATION

As shown in Figure 3, the income per inhabitant has risen very strongly over the last decade, and from 1965, when the first equalization grants were introduced, the financial basis has been still better. But the expenditures have risen still more and that is especially true of the net educational expenditures which have increased by a factor of five during the decade. The only solution a situation like this has, of course, been to raise municipal taxation. The effect of this is shown in Tables 4 and 5.

Figure 3 The development of the municipal financial situation over the period 1960-1972

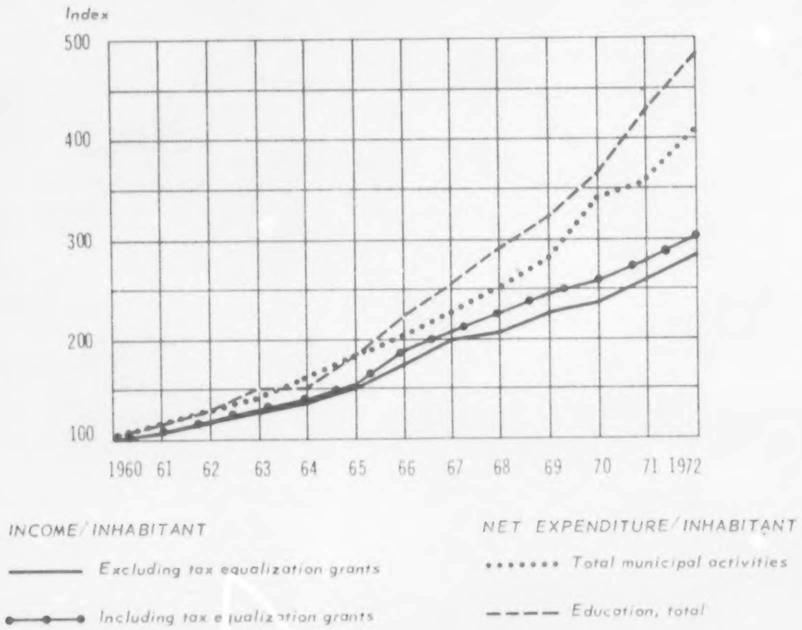


Table 4 Net expenditure as a percentage of taxable income, excluding tax equalization grants

	1960	1965	1970	1972
Education	2.41	3.12	3.94	4.28
Total municipal activities	8.82	10.79	12.87	12.95

Table 5 Net expenditure as a percentage of taxable income, including supplements in the form of tax equalization grants

	1960	1965	1970	1972
Education	2.41	3.12	3.63	4.01
Total municipal activities	8.82	10.79	11.86	12.12

NOTE: Almost half of the rise in taxation level between 1960 and 1972 can be explained by the educational expenditures.

Chapter III

FINANCIAL INSTRUMENTS: THE OPERATING BUDGET

For the sake of simplicity, the following account of financial instruments has been divided into two chapters, one for the operating budget and one for the capital budget. This section deals with the operating budget.

Allocation is an obvious steering instrument to anybody responsible for the allocation of funds. Funds for education are mainly allocated by four agencies, which accordingly are in a position to influence the conduct of activities.

1. Allocation by the State to municipal activities
   - *a*) via earmarked and cost-related grants-in-aid;
   - *b*) via grants-in-aid related to the tax resources of the individual municipality.
2. Allocation by the municipal council to the LEA via different subheads in the municipal budget.
3. Allocation by the LEA to school districts or items of expenditure, sometimes by means of quota and sometimes through distribution from the centre.
4. Allocation by the headmaster for different purposes within the school (an internal and unofficial budget).

STATE FINANCIAL INSTRUMENTS: EARMARKED GRANTS-IN-AID

As far as is known, there is only one point in the operating budget—point 5, below—where the State has refrained from exercising its power of promulgating ordinances and has instead relied on purely financial means (together with the pressure of public opinion) to promote a desirable course of development in the municipalities.

One can distinguish between the following types of earmarked grants.

1. the general grant towards the salaries of teachers and school management (=headmasters and directors of studies).

This grant is entirely cost-based. Simplifying matters somewhat, we can say that the State bears the teacher and school management salary costs arising out of its own decisions or agreements. These "decisions" comprise the rules of the School Ordinance, the time schedule for teaching and the provisions of collective agreements concerning the cost of school management and teacher services.

2. Grants towards salary costs in connection with freely chosen work.

Senior level elementary school students devote two periods every week to freely chosen work—photography, riding, sport, etc. The State makes a flat rate grant towards the cost of the supervisors' salaries. The municipality is then free to organise these activities without any further stipulations from outside, which means that it can start a large or small number of groups and expensive or inexpensive activities. The cost of freely chosen work can therefore be higher or lower than the standard grant. This grant, then, is not cost-based. Instead it relates to activities of statutory duration.

3. Grants towards "special measures" (instruction) in the school sector.

This grant has existed since 1973 and is mainly awarded to metropolitan areas and areas with large immigrant populations (it should be noted that there is also a special immigrant subsidy incorporated in the salary cost grant). Municipalities can apply for this grant, which they have to use as they deem appropriate for the engagement of additional teaching staff, e.g. for special instruction, for the division of large classes or for the formation of teaching teams.

Organisation is thus voluntary and can vary from one municipality to another. Its scope can be adjusted to suit the grant received. Surplus monies may not be funded.

4. Grants towards "special measures" (recreation) in the school sector.

This grant is made to the same target groups as the foregoing. It can be used by the LEA, for example, to organise break activities and occupations during free periods and afternoons. It is intended to cover 50 per cent of the true cost of such activities. It also requires a contribution or *quid pro quo* from the municipalities, with the result that it has not been so much sought after as the grant in point 3, even though the municipality in question must have realised that measures in the fields of student welfare and leisure activities would be highly beneficial.

Table 6 Comparison of awards of grants under point 3 and point 4 during the school year 1974-1975

Purpose of allocation	Available funds (Skr. m.)	Grants applied for (Skr m.)	Grants awarded (Skr m.)
Auxiliary teaching (point 3, above)	22.5 approx.	56 approx.	22.8 approx.
Auxiliary arrangements for student welfare and recreation activities (point 4, above)	11.8 approx.	12 approx.	11.5 approx.
	34.3 approx.	68 approx.	34.3 approx.

5. Grants to finance the "school day".

This grant will be payable as from the school year 1978/79 to the LEAs that organise elementary school activities in the form known as a "school day". This was one of the principal ideas of the SIA Commission, and it implies a broadening of LEA responsibilities to include, not merely instruction, but the general care of children between certain fixed times, e.g. 8.00 and 15.00. During this period, both lessons and free activities must be organised for the students in the form of a compulsory school day. No *quid pro quo* is required from the municipality.

As indicated above, this is the first time that an operational grant has been used on its own as a steering instrument. There are no rules obliging municipalities to organise school days, but this form of assistance certainly makes them financially attractive and it is probable that they will soon be established in all municipalities without any special rules having to be incorporated in the Education Act or the Education Ordinance.

The use of this type of grant in connection with the SIA reform is in line with the aim of the reform itself, which is to give individual municipalities far wider powers of discretion. This is also achieved by the municipality's freedom to decide when and in which districts the school day is to be introduced.

Unlike the grants mentioned previously, the "school day" grant is unit-related and is payable at a rate of 0.25 periods per week per student in elementary schools. Periods per week are then given a standard value on the same terms as apply to grants under point 2.

6. Grants towards study and vocational guidance in schools.

These State grants-in-aid are also unit-related. An index is computed for the municipality by adding together:

a) the number of students in grades 6-9 of elementary school ;
b) the number of students in upper secondary school;
c) the number of grade 6-9 students in special classes, multiplied by 2;
d) 15 per cent of the number of grade 6-9 students receiving co-ordinated special instruction, multiplied by 2;
e) the number of senior level students in schools having not more than 60 students per grade, multiplied by 2.

Various multiples of the basic sum are payable to the municipality, depending on the index thus obtained. The basic sum has to be adjusted by the NBE in keeping with the development of wages and salaries.

Municipalities are expected to use the grants thus received to finance the appointment of special study and vocational guidance officers.

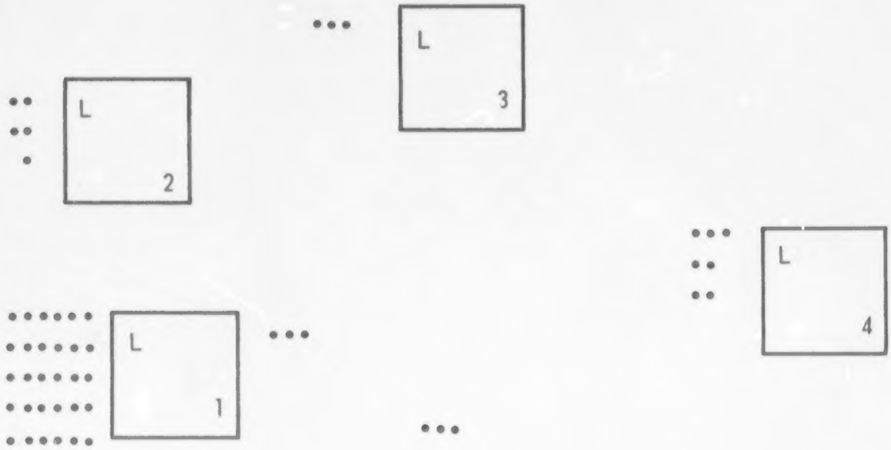
Table 7 **Summary of the construction of earmarked grants**

Type of grant	Salary cost	Freely chosen work	Special measures (Instruction)	Special measures (Recreation)	School days	Study and vocational guidance
Quid pro quo required of municipality				×		
Voluntary activities			×	×	×	
Compulsory activities	×	×				×
Unit-based					×	×
Activity-based		×				
Cost-based	×		×	×		

Salary cost grants

The salary cost grants mentioned under point 1 are by far the most important grants financially speaking, and we should take note of them as a steering mechanism. There are, of course, two reasons why the State should take direct responsibility for them:

Figure 4 **Illustration of the system for operating salary cost grants**
For explanation of symbols, see text



- under the Education Ordinance and through the time schedules, the State itself determines school organisation and with it the number of teachers, the teaching periods and the teacher categories appropriate to the various periods;
- although the municipality is sponsor and employer, it is the State that negotiates pay settlements with the personnel.

Thus responsibility for organisation and costs is vested one and the same authority. If the State adopts a decision increasing expenditure in the school system—e.g. by allowing students opting for technology to be divided into smaller groups for laboratory periods—the State itself has to bear this additional expenditure by disbursing the larger grants that are automatically requested by the municipality.

In detail the system operates as in Figure 4, the example given being taken from grade 1. Each of the dots in the figure represents a pupil and L denotes a junior level elementary school. The area measures 50 × 50 km.

There is only one urban community in the area, all the others are scattered settlements. There are four junior level schools. Altogether there are 52 children who are seven years old and will be starting in grade 1.

The LEA drafts a plan for the arrangement of classes of which there are two types: A classes, comprising children from grade 1 only, and B classes combining grade 1 and grade 2. The LEA has to comply with the State regulation that no junior level class may have more than 25 members. It proposes therefore that two A classes of 18 children each be established at School 1. It also proposes that one B class be established at Schools 2, 3 and 4 respectively.

The municipal proposals have to be inspected by the county school board, which is the State authority at regional level. It is the task of the county school board to try to plan activities within its region in such a way as to achieve the average class sizes indicated by the NBE. Both educational and economic factors have to be taken into consideration, however. It is obvious that in this particular case the municipal proposals will entail heavy expenditure by the State, which will have to bear the salary costs of teachers in five classes through the earmarked grant-in-aid. For this reason the county school board does not approve the draft plan. Instead it resolves against the establishment of a class in School 3, so that children there will instead have to travel by school transport to School 2. These children can join the class at School 2 without bringing numbers up to the point where the class has to be divided. In this way the State saves a teacher's salary.

The children in School 4 could also join another class. They could be taken to School 1 without more classes having to be established there. But the county school board decides that the distance is too great for seven-year-olds to travel every day.

Assessments of class organization—and with it of the size of the teacher salary grant—often take the form of a prolonged discussion between municipality, parents and county school board. The following extract is worth quoting from the State instructions on the subject.

"Possible effects of long-term population development on the localization of schools must have been investigated and alternative solutions discussed before any decision is taken that involves the closing down of a school. It is the duty of the local education authority to notify parents well in advance of any impending closure and of the reasons for the same. Parents should also be given ample time in which to consider the scheduled closure before taking part in further discussions of the matter together with the local education authority. Consideration must be given to the importance of the school to the future development of the locality. Co-ordination should be established with current regional planning. Educational aspects in the more limited sense should be carefully balanced against the practical and other inconveniences incurred by children and their parents when the nearest school is a long way away. A minor educational inconvenience should be accepted instead of forgoing the advantage to parents of having their children in schools near to their homes."

Usually there is no question of any conflict between State and municipal economic considerations. Several factors have to be taken into account. Is the increase in municipal school transport expenditure offset by a reduction of municipal expenditure on the maintenance and operation of a school building or by the fact that school lunches will no longer have to be driven to School 3? Is there any economically justifiable alternative use for the buildings of School 3? Or will the closure mean a write-off of capital? Or is the building so old that it no longer involves any capital costs? Will the facilities at School 2 have to be enlarged to make room for more children?

Once all the economic factors have been added to the picture, it is often possible to draw up a total—State and municipal—estimate for the coming seven-year period. It is this total estimate that should be balanced against educational considerations.

After the county school board has finalized the class arrangements, most factors for the coming school year are automatically decided. The time schedule —which of course is the same for the whole country—says how many lessons the students are to have and what subjects they are to be taught. Children in grade 1 have 20 lessons per week. But the time schedule also says that for half this number of lessons the class has to be divided into two groups (regardless of the number of children in the class as a whole). This gives us 20 + 10 teacher periods.

Both rates of pay and teaching duties are governed by collective agreements between the National Collective Bargaining Office and the teachers' unions. Junior level teachers have a thirty-period week. In the above example, therefore, we will have four full-time teaching appointments at the three schools. The municipality will request State grants for both salary costs and social costs.

But the State is also responsible for further measures. Children with special difficulties are entitled to special instruction. The State instructions specify difficulties of several kinds which qualify for special support, *viz.* mental retardation, adjustment difficulties, reading disabilities, hearing, visual and speech defects, difficulties with mathematics and orthopaedic handicaps. Remedial instruction can also be provided in physical education. However, this careful specification of the nature of difficulties is not in itself a sufficient definition of the framework for the measures to be taken. Since it had not been possible to define the degree of difficulties, municipal expenditure in this connection soared at the beginning of the 1970s. The scheme of things was such that decisions were made by the municipality and costs were borne by the State without any restriction. In 1971, therefore, the State was forced to limit its commitment to 0.3 ppw[1]/pupil in the municipalities. Accordingly, the 52 children in our example also qualify for an additional 52 × 0.3 = 15 ppw = half a teaching appointment for special measures on behalf of students with difficulties.

Immigrant children constitute a special student group. They can be given auxiliary instruction, and the municipality can request teacher salary compensation at a rate of six ppw for each group of 3-5 children.

The Education Ordinance also includes certain other forms of support under the heading of special training, e.g. for children suffering from prolonged illness. Salary costs here are covered by the State on the same terms as described previously.

The items described above—annual teacher salaries and annual teacher salaries with reference to remedial teaching, auxiliary instruction and special teaching—together constitute some 88 per cent of the salary cost grant. The grant also incorporates annual salary payments for school management, various temporary assignments, etc. The State also awards grants-in-aid towards superannuation and social security charges (collectively termed the non-wage supplement). The sizes of these various items are shown in Table 8.

Variations in the salary cost grant

In its collective negotiations with teachers' unions the National Collective Bargaining Office is in a position to influence salary structures and relations in such a way as to render them significant for purposes of education policy. Here are two examples:

— Teachers' salaries, like other State salaries, were formerly based on a system of cost-of-living regions. There were three such regions. A locality with high living costs was placed in a high group, and a higher group carried a larger salary.

— In the far north of Sweden, a "frigid zone allowance" is paid over and above basic salaries. Finnish language allowances are also paid in certain places. The salary differentiation resulting from cost-of-living, frigid zone and Finnish language allowances makes it easier to recruit teachers for service in the far north.

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[1] Period per week.

Table 8 **State grants-in-aid for the fiscal year 1971-1972**

	Purpose of grant	Skr	%
1	Annual salary payments for senior education officers	15 339 721	0.51
2	Annual salary payments for school management (headmasters and directors of studies)	147 137 702	4.92
3	Annual salary payments for teachers	2 540 323 402	88.04
4	Annual salary payments for co-ordinated remedial teaching, auxiliary instruction and special teaching	91 201 589	
5	Service supplements for special teaching	1 253 402	0.04
6	Certain temporary personnel costs	56 378 657	1.89
7	Service supplements		
	a) frigid zone and Finnish language allowances	8 811 736	0.29
	b) tutorial and supervisory activities	1 094 563	0.04
	c) temporary assignment supplements for deputy head teachers	12 422 007	0.42
	d) do. for heads of department	48 225 557	1.61
	e) salary reinforcement for school management of experimental and demonstration schools	293 513	0.01
	f) certain supplements for boarding home managers	140 995	0.01
8	Reserve periods not included in grant-carrying appointments	11 193 826	0.37
9	Freely chosen work	50 441 705	1.69
10	Redundancy payments to teachers	56 100	0.0
11	Sundry purposes	4 775 287	0.16
12	*Total assessed grant*	2 989 089 762	100.0
13	Municipal contribution	32 059 711	
14	*Total State grants-in-aid*	2 957 030 051	
15	State grant towards superannuation payments	248 094 450	
16	State grant towards payroll tax	56 792 705	
17	Total	3 261 917 206	
18	Salary cost increment	325 810 784	
19	GRAND TOTAL	3 587 727 990	

THE MUNICIPAL BUDGET AS A STEERING INSTRUMENT

The general principle is for the State to achieve the control it desires by means of the system of rules. The school day grant payable from 1978 represents a unique attempt to exercise control by financial means only. On the other hand the municipality, in common with the LEA and headmaster, has only limited powers for issuing rules and regulations. At this level, therefore, financial means of control are all the more important. In round terms one can say that the State exercises control by means of regulations while the municipality does so through its budget and it can influence the conduct of school affairs by granting, refusing, reducing or revising the priorities of LEA budget requests.

But the possibilities open to the municipal board are limited. It cannot influence the organisation that has been formally adopted, the number of teachers, their salaries, or the number of school management personnel. As we have seen, these matters are decided by the State and are the subject of earmarked grants-in-aid.

What is more, it is the duty of the municipality to provide school health services and to supply free books, etc. State regulations stipulate that there must be a school doctor and a school nurse for every 1 500 children. The Education Ordinance explains that the term "free teaching materials" implies that students are to be given a number of books, etc., for each subject. Consequently it is impossible for a municipality to reduce teaching material allocations to such an extent that there will only be enough money to finance the loan of books to students.

School transport expenditure is dictated by the pattern of settlement and does not leave the municipality much scope for manœuvre. Often—one is tempted to say, more often than not—this expenditure is heavier than it needs to be, because the education budget conceals subsidization of the municipal bus company; and in this way the company's operating deficit does not have to be openly stated in the accounts. The municipalities almost invariably finance free school lunches, though they are not obliged to do so by law. The running costs of school buildings are also a foregone conclusion as a rule; they are more dependent on international oil prices than on the deliberations of the municipal board.

Theoretically speaking, the municipality is in a position to influence the cost of wages and salaries for the personnel not included in the collective agreements concluded by the State, i.e. caretakers, clerical staff, welfare officers, school nurses, vocational counsellors, etc. But collective agreements on behalf of these categories are negotiated centrally by the Swedish Association of Local Authorities and the central union organizations. There is nothing for the *individual* municipality to do but to acquiesce in the agreement thus concluded.

There remains a group of measures whereby the municipality expresses a level of aspiration. The municipality can frame a policy using the budget as an instrument of control by limiting its aspirations or by apportioning them in different ways.

Table 9 illustrates how municipalities can differ in the amount of effort they put into the various aspects of education. Major items of expenditure that can reflect the relative levels of local interests include building investments and expenditure on teaching materials. The budget can also be used to bring about different apportionments of municipal effort as between different school levels. For instance, the work of school hostesses and welfare officers can be focused on the senior level of elementary school on the grounds that this is where the greatest problems are to be found. Or, conversely, effort may be concentrated on the junior level on the grounds that prevention is better than cure. Allocations for field visits can be limited, thus impeding the adoption of a more experimental approach to school work.

Table 9 **Variation in budget sub-heads (reflecting varying interest in areas of particular concern) as between different municipalities**

Field of expenditure	Skr per student			
	Lowest municipal figure	Highest municipal figure	Mean value	Median value
School administration	28	421	226	180
School meals	23	949	592	614
School transport	15	1 446	247	327
Social expenditure in schools (School health services, school bathing facilities, boarding homes, colonies for school-children)	0	463	86	68
Educational arrangements (AV-aids, school libraries, traffic education, swimming lessons, consultancy activities, psychological services, welfare services, personnel training, recreation activities, miscellaneous activities)	13	514	154	131

STEERING INSTRUMENTS OF THE LEA

Generally the municipal board makes various lump sum allocations to the LEA. The theory is that frame allocations are made for the various branches of municipal administration. In practice, however, the LEA has to plead for every single item and sub-item in its budget. The LEA in turn can adopt two possible approaches. Either it retains the allocation itself and decides on an *ad hoc* basis where it is to be applied, or it can distribute its allocations between the various school districts according to a certain principle, usually the number of students.

The LEA can, for example, retain the whole allocation for the purchase of furniture and equipment, on the grounds that heavy investments are needed to a particular end, such as the purchase of completely new furniture for the entire teachers' department in a school. If the allocations were to be spread out, they would be frittered away. In this way, of course, a great deal of power is retained by the officials of the municipal board. The alternative would be to distribute the allocation on a quota basis and to sanction reservations so that money could be saved for large undertakings. Allocations for materials, school transport, etc., on the other hand, are usually distributed on a quota basis according to the number of students.

THE HEADMASTER'S ALLOCATION OF GRANTS WITHIN THE SCHOOL

The quota system places certain funds at the disposal of the individual school district. As indicated above, these funds usually comprise allocations for materials, for field trips, for administrative supplies, for contact between schools and parents, for libraries and for school sporting activities.

Officially decisions are made by the headmaster, but in practice the allocation of grants is discussed within the school both at conferences of heads of department and by the joint committee of students and teachers. The allocation of grants is very much a means of exercising control, for priority can be given to different types of material, different subjects, different school levels and different groups of students.

DIRECT STATE FINANCE

As was already pointed out in Chapter I, State policy in Sweden operates on two lines in the administrative sector:

1. Direct State administration, e.g. of universities and colleges and of special schools for the handicapped.
2. State delegation of administrative authority to another sponsor, subject to given rules; this, for example, is the practice regarding elementary and upper secondary schooling.

In the latter case—with which we are concerned in the present context—the State can, however, resolve in certain limited sectors in favour of activities that it has itself put into effect, administers and pays for (in whole or partly). The most prominent sectors of this kind are teacher training (both basic and further training) and research and development.

Teacher training finance

Teacher training establishments (or schools of education) are State institutions. Finance for them is included in the government's annual Budget proposals to the Riksdag. The schools of education are responsible for the *basic* training of junior level, middle level and remedial teachers and for the practical training of subject teachers. Those who will be teaching at lower and upper secondary levels do their subject studies at university before going on to the school of education.

In addition to *basic* training, teachers are offered the chance of *further* training, i.e. training whereby a teacher can qualify for a more senior appointment. But this further training is *not* financed by a State grant so the municipality cannot reserve a certain percentage of its employees to take advantage of it. Nor is the municipality expected to do so of its own volition. Instead the State has given teachers the right to study for 360 days per ten-year period, subject to what is termed a B deduction (about one-third) from their salaries. A steeply progressive tax system, however, reduces impact of this deduction on net earnings to an almost insignificant level. If the B deduction lasts for more than 30 days —which it usually does—the State bears the cost of a deputy teacher. The only stipulation made by the State is that the studies pursued by the regular teacher must be relevant to his appointment.

One result of this arrangement is that the relevant decisions which in all reason should be the concern of the sponsor—the municipality—are being taken by the county school board, which in this matter acts as the representative of the State.

In-service training is the term given to training designed to increase the teacher's proficiency in the appointment he already holds. Hitherto its basic elements have been as follows:

1. *Summer courses.* Voluntary. Average duration one week. Financed entirely by the State (arrangements, fares, living expenses).
2. *Study days.* Since the early 1960s there have been five study days per year, at which attendance is compulsory (school lessons having been cancelled). There are various forms of agreement. It is, perhaps, most common for the State (the county school boards) to bear the programme costs for about two study days. The remaining expense is borne by the municipality, as are all fares and living expenses.
3. *Consultancy activities.* In-service training consultants are engaged by the (State) county school boards. They are employed half-time in municipal schools and half-time at the county school board. Their services are free of charge to municipal schools in the form of visits, conferences, study days, weekend courses, etc. The State pays their travel expenses.

A compulsory training course for school management and a major in-service training project for teachers are to be started in connection with the SIA reform. Within the latter project, a team of between 10 and 15 teachers from each school will attend a one-month course in team work. The project will take ten years to complete. The State will meet the cost of engaging deputy teachers. Two weeks of the in-service training would, according to the original proposals, take place during school holidays. The teachers' unions have demanded negotiations on this point. Typically, these negotiations will be held with the State, not with the sponsor.

There are no hard and fast limits of economic responsibility in the in-service training sector. Some large municipalities, for example, have their own consultants. The Swedish Association of Local Authorities arranges courses for chief education officers, as do county school boards. School personnel not covered by collective agreements concluded by the State—e.g. welfare officers, clerical staff, psychologists, librarians—occupy a vague intermediate position. A certain amount of in-service training is arranged for them by the municipal personnel committee, and the county school boards sometimes arrange programmes when teachers have study days.

Research and development finance

Development work is financed by both State and municipalities. There are various possible arrangements.

1. An appropriation for research and development via the Budget proposals. This appropriation is administered by the NBE and is used to finance various projects at the institutions of education and psychology in the universities and schools of education and also to finance the work of experts within the NBE itself. Only a marginal proportion of the appropriation is made available for research and development within the school system.
2. Municipal allocation for educational development. Development finance has traditionally been regarded as the responsibility of the State, but a large number of municipalities finance projects of their own, usually projects with a clear practical bearing on local school problems. These allocations may be open—i.e. included in the LEA budget—or they may be concealed, in the sense that the commission is assigned to an official, e.g. a school psychologist, a headmaster or director of studies, or an investigation secretary.
3. Experimental educational areas.
   These areas—which comprise a municipality or have in isolated instances covered an entire county—are jointly and equally financed by the State and municipalities. The State contribution is made over a five-year period and is gradually raised during the initial years, after which it steadily declines again to zero. There is an underlying hope that the activities will by then have aroused sufficient interest for the municipality to continue awarding allocations after the five-year period.

Chapter IV

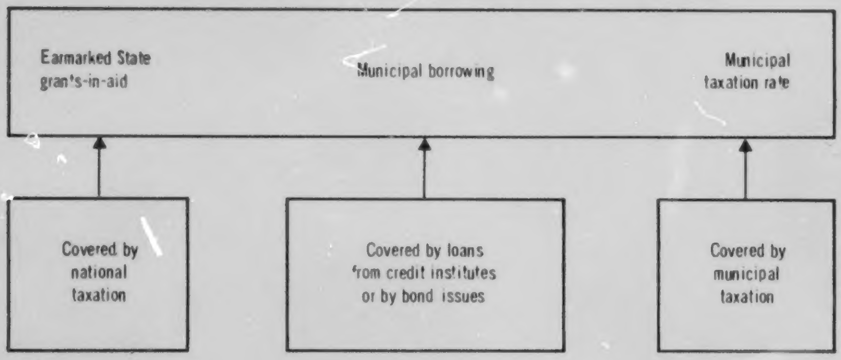
FINANCIAL INSTRUMENTS: THE CAPITAL BUDGET

The financing of the capital budget differs in two respects from the operating budget:

1. The proportion of State grants-in-aid is far smaller. Whereas these grants cover about half of the running costs of elementary schools, they cover only about 30 per cent of all expenditure on the construction of school buildings.
2. Municipal net capital expenditure is financed directly in part, the remainder being covered by loans from various credit institutes.
   But although the municipality has to pay for almost 70 per cent itself the State exercises a very extensive control of the school investments in the whole country. This is done, not by regulation in the form of Educational Ordinances, but by financial means, i.e. through the medium of the terms of grants-in-aid and permission for borrowing.

The financing of investments in schools in shown in outline in Figure 5.

Figure 5 **Scheme representing the financing of school building**


Earmarked State grants-in-aid
Municipal borrowing
Municipal taxation rate
Covered by national taxation
Covered by loans from credit institutes or by bond issues
Covered by municipal taxation

In its annual budget to the government (in August) the NBE quotes a suitable and necessary investment frame for the succeeding budget year. The government then includes an investment frame in its Budget proposals (in January). This frame is debated during the spring session of the Riksdag (in March or later).

The investment frame for a fiscal year is the permissible level of total investments in school buildings for the budget year. More exactly speaking, it represents the permissible level of the total cost of those portions of school building enterprises that qualify for State grants-in-aid. Or more correctly still, it represents the permissible level of the estimated costs; the true costs are not known until the building has been completed.

Once the NBE has sanctioned State grants-in-aid for as many building projects as the investment frame can carry, no further grants can be awarded that fiscal year, and outstanding cases must wait until the next. Needless to say, the cheaper a school of a certain size is, the greater the number of such schools that can be accommodated within the investment frame. Hence the cost of school buildings of a certain size should be kept within reasonable limits.

Many different authorities and persons are involved in the handling of a school building project., but procedure has been greatly decentralized in recent years. The following regulations have applied since 1st July 1974.

- Determination of school organization.
  As has previously been the practice, the municipality should open discussions with the county school board concerning both long-term and short-term school organization. The rule still is that students must be distributed between different schools according to "what is required for the efficient utilization of premises and other educational resources". The inquiry pursued must include a review of school organization in the relevant portion of the municipality and, if necessary, in the municipality as a whole. The distribution of students between different schools must also be considered in relation to future changes in population structure and the pattern of settlement. The guiding principles are for the existing stock of facilities to be developed as rationally as possible in order to limit the need for new buildings. The latter restriction is necessary because the annual investment frame is also limited, so that if one municipality takes up a larger portion of the year's investment frame than it really needs, another municipality will be correspondingly neglected.
- Premises required.
  Accommodation requirements are investigated by the LEA. A draft programme of school facilities is drawn up on the basis of the standards and programmes for school facilities issued by the NBE. The total net floor space transpiring from the application of the NBE standards can then be deployed in various ways—with various degrees of "open planning". Deployments of this kind are decided by the municipality, depending on the working methods it wishes to be applied in the school. Investigations concerning a school building also include consideration of the extent to which the school facilities should be co-ordinated with premises accommodating social services of other kinds in the municipality. This is dealt with in greater detail in Chapter VI.
  The extent of the premises required is decided by the municipality.
- Rough drawings.
  Rough drawings are to be submitted to the personnel concerned and to the school doctor for inspection. They can also be (voluntarily) submitted to the NBE for inspection. Inspection by the NBE is compulsory if the building includes special school facilities. The sphere of municipal responsibilities includes freedom to accept the NBE's recommendations at the inspection stage or to disregard them. If the municipality accepts and generally complies with the recom-

mendations made by the NBE, there is no need for main drawings to be appended to an application for a State grant-in-aid.

— State grants-in-aid.

As has already been made clear, since 1968/69 costs have not been permitted to exceed the computation basis for grants.

Applications for State grants-in-aid are sent via the county school board to the NBE. The county school board—or the county administrative board—establishes the order of priority of the various building projects in the county.

In order to understand the system—and the efficacy of State control— one has to bear in mind that municipal borrowing is subject to approval by State authorities. A municipality is naturally entitled to erect an elementary school building paid for out of its own resources, i.e. without applying for a State grant-in-aid towards the costs. But the following rules then apply.

When considering a municipal application for permission to borrow money to finance the building of a school, the government will not sanction the borrowing of an amount exceeding the computation basis fixed by the NBE less the State grant-in-aid, plus the cost of site improvements, etc. and the cost of other purposes than school purposes, provided they come within the sphere of municipal competence. If a municipality embarks on a school building project without waiting for a State grant-in-aid, it will as a rule be denied permission to raise a loan. The government thus acts in keeping with the aim of State grants-in-aid, which is to keep school building expenditure within certain bounds. A municipality starting a school building project without first definitely settling the question of a State grant-in-aid may be forced to finance the whole project directly out of taxation revenue, which can place it in a very awkward or even untenable economic situation.

State grants-in-aid for permanent schools are payable as a certain percentage on a computation basis. The percentage rate used to be determined according to the economic resources of the municipality, as shown in the Table 10.

Table 10 **State grants-in-aid for permanent schools: the former method of computation illustrating the gearing of the State's contribution to the taxation resources of the municipality**

Taxable income per inhabitant	State grant-in-aid as a percentage of the computation basis
- 500	80 - 70
501 - 700	75 - 65
701 - 900	70 - 60
901 - 1 100	65 - 55
1 101 - 1 300	60 - 50
1 301 - 1 500	55 - 45
1 501 - 1 700	50 - 40
1 701 -	45 - 35

Taking the appropriate interval in Table 10 the NBE would decide the percentage according to which the State grant-in-aid was to be computed. Apart from the taxation resources of the municipality in question, consideration was also given to its general economic situation, i.e. the local taxation rate and economic commitments. Let us stress, however, the table is now completely out of date, because all municipalities today have far higher taxable incomes than Skr. 1 700 per inhabitant. Nevertheless, in its day the table expressed an interesting idea, namely that of gearing the earmarked State grants-in-aid to the taxation resources of each municipality. As far as is known, however, no estimate has ever been made of the potential implications of such an idea in the context of operating grants.

Chapter V

DIFFERENCES IN THE FINANCIAL SITUATION OF INDIVIDUAL MUNICIPALITIES

Chapter VI will deal with differences between municipalities in such matters as teacher-student and auxiliary personnel-student ratios. This chapter will deal with differences in the *costs* incurred by municipalities, in both gross and net terms.

Accounts of total expenditure and receipts in the elementary school sector include not only the cost of teaching (teachers' salaries, etc.) and teaching materials but also the distributed costs of school administration, school meals, school transport and other social and educational arrangements. Costs relating to elementary school facilities, furniture and equipment are also included (see Table 11).

Table 11 **Total expenditure in the elementary school sector in 1972**
Skr per student

	Gross expenditure		Receipts		Net expenditure
		Whereof personnel costs		Whereof State grants	
National average	6 802	4 204	3 602	3 464	3 200
Least county average	6 197	3 842	3 [illegible]50	3 079	2 704
Least municipal total	5 428	3 475	2 832	2 705	1 777
Median for municipalities	6 870	4 171	3 631	3 516	3 229
Highest county average	8 078	5 016	4 275	4 146	3 956
Highest municipal total	11 519	6 893	5 943	5 856	5 702

As can be seen from the table the highest rate of gross expenditure per student in 1972 was Skr. 11.519 spent by an extremely sparsely-populated municipality in the far north, close to the Finnish border, with a great deal of home language teaching in Finnish. The lowest level of gross expenditure was Skr. 5 428. The respective deviations from the median were +Skr. 4 649 and — Skr. 1 442.

Thus, earmarked State grants-in-aid do not by any means result in an equalisation of expenditure. Considerable differences remain, i.e. as regards school transport costs, expenditure on school meals and the cost of running and maintaining buildings. A distinction must be drawn, however, between the following:

- differences in net expenditure per student in absolute figures;
- differences in net expenditure in relation to taxation resources.

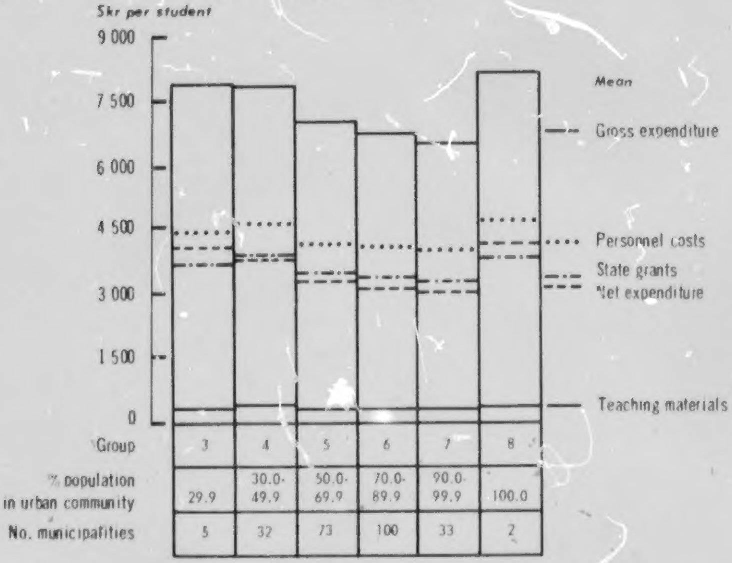
Both of these aspects will be given closer consideration later.

DIFFERENCES DUE TO DIFFERENT POPULATION DENSITIES

For present purposes, the term population density (or urbanisation) refers to the proportion of inhabitants in a municipality living in an urban community as defined by the Swedish Central Bureau of Statistics. An urban community thus defined is an agglomeration of houses, etc. with no less than 200 inhabitants, provided the distance between the buildings does not normally exceed 500 metres. Gross expenditure is illustrated in Figure 6.

Figure 6 Total expenditure and State grants-in-aid in the elementary school sector, excluding Stockholm, Gothenburg, Malmö and the island of Gotland

Averages for 1972



This figure shows that both gross and net expenditure vary inversely with the degree of urbanisation. The only exceptions to this rule are the two municipalities in group 8 (two suburbs of Stockholm). An interesting question then arises as to the relative importance of State grants-in-aid in the various urban groups. This is illustrated in Table 12 where the result conforms with expectation: teacher salary costs—which are covered by State grants-in-aid—constitute a larger proportion of total expenditure in urban communities than in sparsely populated areas, which have to contend with heavy costs in connection with school transport (not covered by State grants-in-aid).

Table 12 State grants-in-aid in proportion to receipts and to the financing of total gross expenditure and personnel costs in the elementary school sector, excluding Stockholm, Gothenburg, Malmö and Gotland

Municipal group	State grant-in-aid as a percentage of:		
	Receipts	Gross expenditure	Personnel costs
3	97.6	46.9	83.9
4	96.4	49.2	82.7
5	96.2	50.4	83.6
6	96.1	51.5	83.9
7	95.7	50.3	81.1
8	94.3	46.4	79.8
Total	96.0	50.7	83.0

Table 13 The percentage of taxable income the municipalities had to raise for 1968 and 1972

Municipal group	1968	1972	Change
1-4	4.43	5.38	+0.95
5	4.14	5.16	+1.02
6	4.14	5.20	+1.06
7-8	4.03	4.96	+0.93

Table 13, where allowance has been made for the tax equalization grant, shows the percentages of taxable income the various municipalities had to raise for 1968 and 1972.

The difference in the taxation requirements of the various municipal *groups* is about 0.4 per cent at most. The difference between *individual* municipalities in the two extreme groups may of course be far greater. Although there is no proof available either way, there is no reason to suppose that the difference is due to different levels of aspiration in the municipal groups. Instead it is undoubtedly attributable to different circumstances connected with school activities, circumstances which entail different levels of costs.

We may therefore conclude that differences of net expenditure are not completely ironed out by the tax equalization grant. The most densely populated municipalities—those in groups 7 and 8—are favoured.

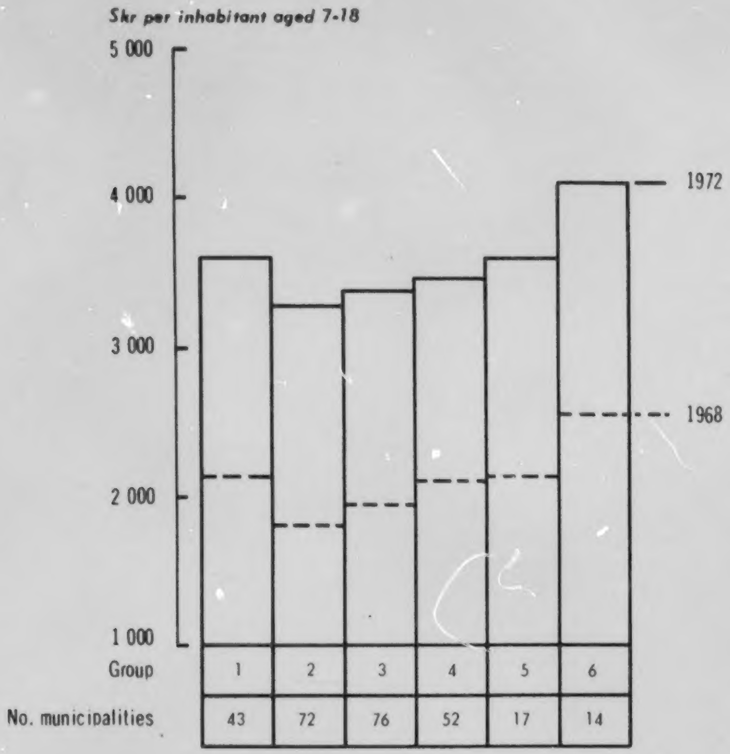
It is arguable that cost variations of this kind, amounting as they do to fractions of one per cent, should be accepted as natural. Other sectors of municipal finance present other differences which may operate in a contrary direction.

DIFFERENCES DUE TO DIFFERENT TAXATION RESOURCES

In the matter of taxation resources, municipalities are grouped as in Table 14. Net educational expenditure per inhabitant between the ages of 7 and 18 is shown in Figure 7.

As can be seen from Figure 7, net costs rose with rising taxation resources (except in group 1). Municipalities with heavier net expenditure per student

Figure 7 Net educational expenditure per inhabitant between the ages of 7 and 18



could still manage with a lower rate of local taxation, even after allowance has been made for the tax equalization grant (see Table 15).

From the above figures we may conclude that roughly the same percentage of incomes is levied in different municipalities up to the mean level of taxation resources. On the other hand the 14 municipalities whose taxation resources are above the mean can accept heavier net expenditure in the school sector than

Table 14 Grouping of municipalities by taxation resources

Municipal group	Taxation resources as a percentage of mean taxation resources	No. municipalities
1	- 69	43
2	70 - 79	72
3	80 - 89	76
4	90 - 99	52
5	100 - 109	17
6	110 -	14

111

other municipalities and still have a lower taxation rate for educational purposes. Here again we cannot tell whether higher net costs are due to superior standards (level of aspiration) or to some other factor, e.g. additional social welfare costs. But the municipalities in group 6 are not identical with major cities.

Table 15 **Changes in rates of local taxation after adjustment for tax equalization grant**

Municipal group	1968	1972	Change
1	4.51	5.31	+0.8
2	3.92	5.04	+1.2
3	4.20	5.31	+1.11
4	4.18	5.13	+0.95
5	4.06	5.24	+1.18
6	3.99	4.82	+0.83

DIFFERENCES DUE TO DIFFERENT POPULATIONS

In the matter of population, municipalities are grouped as shown in Table 16, and expenditure per inhabitant as in Figure 8.

Here, the heaviest rates of expenditure are to be found neither in small nor large municipalities but in the group with populations between 20 000 and 99 999 (see Table 17).

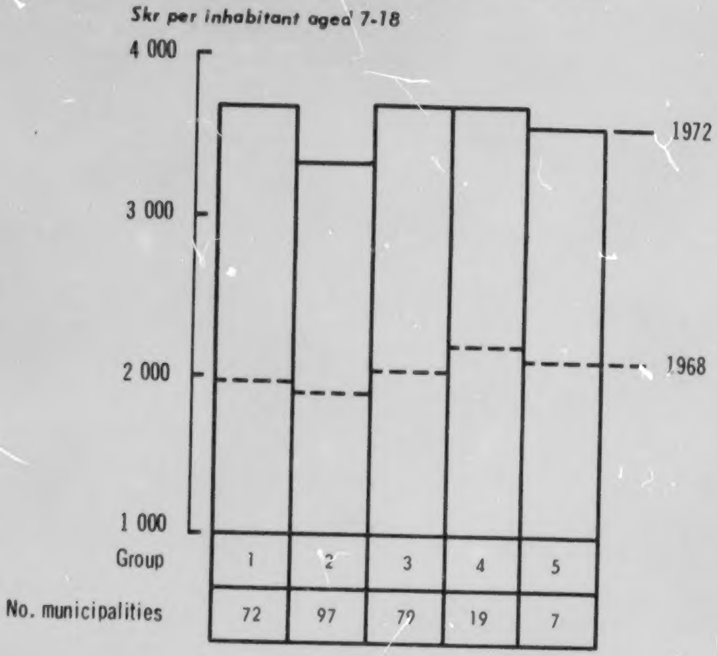
Table 16 **Grouping of municipalities by population**

Municipal group	No. inhabitants	No. municipalities
1	- 9 999	72
2	10 000 - 19 999	97
3	20 000 - 49 999	79
4	50 000 - 99 999	19
5	100 000 -	7

Table 17 **Local taxation rates as percentages of taxable income corrected for tax equalization grants**

Municipal group	1968	1972
1	4.36	5.17
2	4.17	5.25
3	4.09	5.19
4	4.14	5.04
5	4.06	5.03

Figure 8 Expenditure per inhabitant aged 7-18



METROPOLITAN AREAS AND THE REST OF SWEDEN

Total elementary school expenditure in the metropolitan areas and in the rest of Sweden is easiest shown in diagrammatic form, as in Figure 9.

Apart from the municipality of Stockholm, none of the metropolitan cities and metropolitan areas incurred heavier gross expenditure and personnel costs than the rest of the country. Gross expenditure per student was higher in the Stockholm suburbs than in Gothenburg and Malmö metropolitan areas. In all metropolitan groups except group 2, personnel costs accounted for a larger proportion of gross expenditure than in the country generally. This was especially the case in the three metropolitan cities (see Table 18).

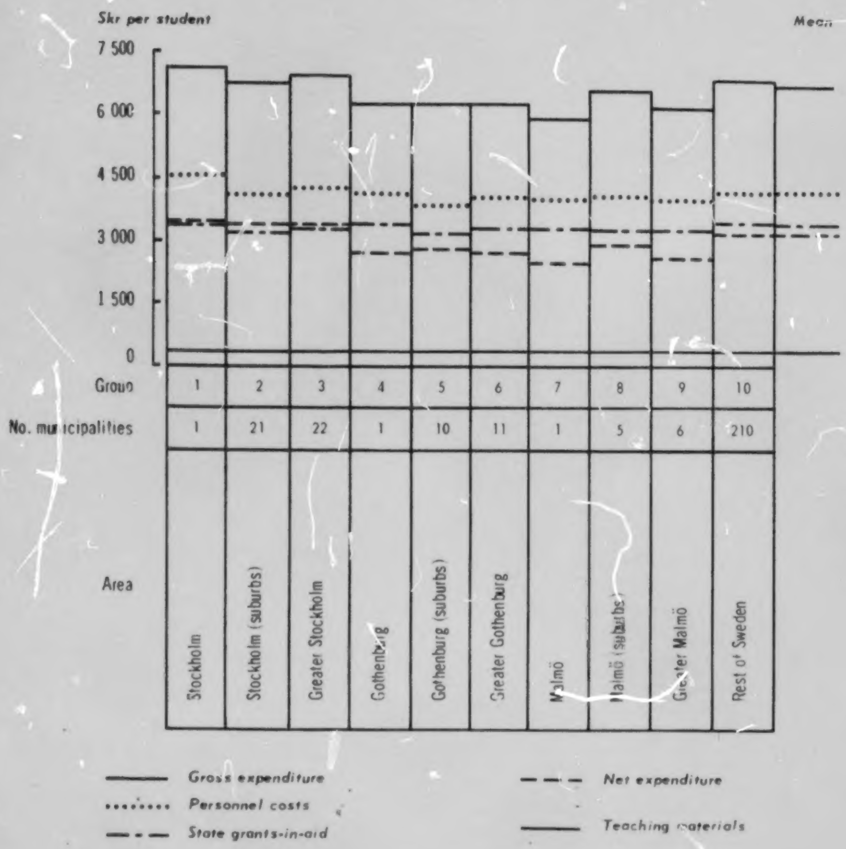
Table 18 **Percentage personnel costs per metropolitan group**

Group	1	2	3	4	5	6	7	8	9	10	Total
Percentage personnel costs	64.3	60.5	62.0	66.4	62.8	65.0	66.9	62.1	65.1	61.1	61.8

The proportion of personnel costs met out of State grants-in-aid was smaller in all the metropolitan groups than in the country generally.

Relatively speaking, State coverage of personnel costs was lowest in Greater Stockholm. A corresponding result was obtained concerning gross expenditure.

Figure 9 Total elementary school expenditure in the metropolitan areas and the rest of Sweden, 1972



In the other two metropolitan cities and metropolitan areas, however, State grants in-aid covered a larger proportion of gross expenditure than in the rest of the country, the reason being that personnel costs bulked larger in the municipalities of Gothenburg and Malmö than in the rest of the country.

The coverage of a smaller proportion of personnel costs by State grants-in-aid can only mean one thing. The metropolitan cities have gone further than other municipalities in engaging such personnel as welfare officers, school hostesses and recreation leaders in the school sector. At the same time they have been able to do so without their total expenditure rising above the level for the country as a whole.

Chapter VI

CONSEQUENCES OF THE STEERING SYSTEM IN RELATION TO CERTAIN AREAS

EQUAL EDUCATIONAL OPPORTUNITIES FOR ALL STUDENTS

Aim

For several decades past one of the explicit aims of education policy has been for all students to enjoy the same standard of educational amenities regardless of geographical circumstances and social and economic background. The aim thus defined was firmly rooted in the egalitarian ideology of the Social Democratic Party, in the emphasis which the Liberal Party put on the universal right to an equal start in life and in the realization by the old Agrarian Party of the importance of rural areas being assured of the same educational standards as urban communities.

The frequency with which this aim has been enunciated is matched by the infrequency of any attempts to define its exact implications. One looks in vain to the political debate for a specification of the conditions that will have to be met to justify talk of equal standards.

It is equally clear that this aim is often made to include demands for compensatory measures on behalf of certain groups of students, i.e. demands that education should be equivalent, not equal. The education provided for certain groups should be sufficiently superior in quality to offset prejudicial factors outside the education system. In this case the emphasis is on educational *results* rather than educational *opportunities*.

But it is also obvious that in practical politics the term "equivalent" has often been taken to mean "equal". Uncertainty regarding the workings of the education system leads to a preference, for safety's sake, of uniform education in all parts of the country and all schools to experimentation involving possibly equivalent but different forms of schooling.

The concept of equivalent educational standards is also given a general, organizational interpretation and is taken to refer to external frame factors. To achieve this aim, people have been prepared to embark on wide-ranging processes of reorganization, extensive school building projects and heavy investment programmes. But the content of schooling has not really been considered as part of the equality aspect. The problem as to whether the choice of subjects and subject matter is favourable or prejudicial to students from different socio-economic strata has been debated in research and, for example, by the SIA Commission, but the debate has not yet had any practical results.

Means

The principal means of achieving the aim of equivalent educational standards have comprised the firm central control of the school system. This control has been described in a previous chapter. Above all it comprises:

- the same time schedule and syllabus for all schools in the country;
- the same numbers of students in all classes and teaching groups;
- the same teaching qualifications throughout the country;
- the same pay settlements for all teachers;
- the same stipulations regarding free teaching materials and free school health services for all students;
- the same stipulations concerning building standards qualifying for State loans.

Among other things this system of rules has resulted in extensive State involvement in the form of earmarked grants-in-aid, as described in the preceding chapter. Since school expenditure accounts for over one-third of net municipal expenditure, the tax equalization grant is to a great extent governed by the exigencies of school policy.

Equality has long been a political slogan, and demands for equivalent standards are raised in various sectors of communal life, *viz.* social policy, housing policy, regional policy and incomes policy. One may ask whether the demand for equivalent standards is specific to school policy or whether school policy is merely a manifestation of a general policy.

It is perhaps reasonable to answer this question by saying that egalitarian efforts profoundly affect all sectors. There are some sectors where they are of long standing and where public opinion would never accept local differences. Schools and medical services are two such sectors, though medical services have included a great deal of private enterprise which has been unevenly distributed geographically and to which the school sector has not presented any counterpart.

On the other hand day care facilities can vary a great deal, as can housing environments, amenities, etc., without this being considered alarming or as an expression of anything but municipal autonomy. It is clear that inequality surrounding youth education is considered particularly unacceptable. Public opinion will not countenance the liberty of a municipality to determine the priority status of the school sector as it sees fit.

Central control and State economic involvement have been the backbone of school policy. In recent years there has been a growing realization that educational opportunities are also closely dependent on peripheral factors in the environment, and through the SIA reform the State has also acquired commitments regarding the leisure environment surrounding school; we saw in Chapter III that the State is to finance what is termed a "school day". Although it has been realized that success is conditional upon consideration being given to the entire family situation, the State has refrained from making earmarked grants, say, for welfare officers and recreation leaders, since it has been anxious not to impinge on municipal liberties. Reference has instead been made to tax equalization grants as enabling the municipalities to concentrate efforts where they are thought to be needed most.

At the same time it is obvious that the very control of school policy is a circumscription of municipal liberties. One is forced to conclude that the boundary between the sector in which arguments concerning equal standards carry the day and the sector in which arguments concerning municipal liberties do so is rather vague and the result of historical accident.

Results

Have the means described above resulted in the achievement of the aim? This question is impossible to answer because politicians do not express the aim in measurable terms. All that can be offered are certain observations and distinctions.

The question can be answered in the affirmative insofar as the same time schedules, etc. are applied in all schools. This is because the system of rules is absolutely binding. This in turn is self-evident, but it is nonetheless important to observe that if we measure the incidence of such things as free teaching materials, free school transport, stipulations regarding teachers' qualifications, teachers' salaries, special instruction facilities, etc., we obtain the same results for all schools.

As soon as any other form of measurement is attempted, however, difficulties arise. What measurable factors could be employed as criteria of an equivalent educational standard. A selection might be made from two types of conditions: conditions reflecting organizational results and conditions reflecting results measured as student variables.

Measurements of organizational conditions suffer from two deficiencies. Firstly, we cannot prove that uniformity in the particular factor we measure —e.g. class size—has an essential bearing on equivalent educational standards. Perhaps other factors such as school size and staff turnover are more important.

Secondly we cannot be sure that the variation is not justified, i.e. it may be offset by conditions in the environment surrounding the school. If for instance we measure teacher density in an area where there are social problems and find that it is greater than in an established upper class district, this may only reflect an attempt by school policy to respond to certain unfavourable conditions. In other words, *how unequal must we make the resources of different schools in order to obtain equivalent educational results?*

Only in certain cases are measurements of results at student level constructed in such a way as to tell us something about "equivalent educational standards". Standardized achievement tests covering the entire nation are set in various grades, but they are not analysed with correction for region, type of municipality, school size, class size or suchlike. Nor can any conclusions be drawn from the extensive IEA measurements.

Attention has often been drawn to a connection between social background and school achievement. This is generally put down to the power of the home and of tradition in the face of the equivalent school system. This is naturally a false explanation. There has been an unwillingness to experiment with the highly differentiated measures which may be needed to compensate for differences of home environment. It is only in recent years that the traditional structure of the syllabus and parental involvement have become topics of discussion.

Measurements of organizational conditions

Personnel input can be measured in teacher ppw/student and in terms of average class size. Table 19 gives the figures for 1971/72.

As can be seen, personnel input varies. Differences in class averages are due to differences in the distribution of population between densely and sparsely populated areas. Classes are bound to be smaller in sparsely populated areas. Or rather, this could only be avoided by setting a standard after the most sparsely populated areas and sanctioning class arrangements accordingly until the lowest average class size had been achieved in every municipality. A measure of this kind would of course involve prohibitive costs and would mean that Swedish

Table 19 **Teacher ppw/student and average class size, 1971-1972**

	Teacher ppw/student				Class size, including remedial classes			
	Jr level	Middle level	Sr level	Total	Jr level	Middle level	Sr level	Total
National average	1.77	2.01	2.12	1.96	20.09	21.82	24.19	21.87
Least county average	1.57	1.83	1.71	1.74	18.17	17.89	22.14	19.59
Least municipal value	1.25	1.49	1.56	1.63	11.83	14.05	17.32	14.44
National median	1.77	2.07	2.14	1.99	19.77	21.28	24.25	21.35
Highest county average	2.00	2.39	2.84	2.28	21.63	23.98	26.15	23,67
Highest municipal value	2.81	3.09	3.47	2.90	24.81	26.95	27.31	25.22

school organization was governed by the exceedingly small groups of the wilderness areas in the far north and of the mountain region. Children living in sparsely populated areas are therefore likely to remain privileged in the sense that they are taught in somewhat smaller classes.

Equal efforts on behalf of all students regardless of where they live have often been taken to imply a certain minimum standard that must never be underachieved. This minimum standard has been guaranteed by State regulations. At the same time, municipalities are at liberty to apply additional resources. This can, of course, result in the "cancellation" of equality, with one municipality spending more on its schools than others. As we saw from Figure 7, a difference of this kind actually exists. Wealthier municipalities—i.e. those with greater taxation resources—have greater net costs. But these differences are not very great, and they may be connected with heavier investments. Table 15 is also worth noting because it shows that the wealthier municipalities can also enjoy their superior standard in the form of lower taxation rates, not necessarily in the form of better schools. The municipal contribution may include personnel directly concerned with the students, e.g. welfare officers and school hostesses.

In 1971 the SIA Commission organized a pilot survey of ten municipalities in order to gauge variations in municipal imputs of auxiliary personnel. Personnel input was converted into teacher ppw/100 students. Bearing in mind that a junior level teacher has 30 periods per week, 15 ppw per 100 students "equals" half an additional teaching appointment per hundred students.

State-financed remedial instruction has been made subject to a maximum of 30 ppw/100 students. As the table shows, the municipal input of auxiliary personnel amounts to 14.1 ppw/100 students in Järfälla (a suburb of Stockholm), while in Östra Färs (a small farming community in the south-east of Sweden) it was no more than 2.6 ppw/100 students. As can be seen, the municipal input is by no means negligible compared with the State contribution, and there is a great degree of variation. Unquestionably the municipal effort implies a considerable deviation from the principle of "equal input regardless of residential locality".

Taking the "educational arrangements" (AV aids, school libraries, traffic education, swimming instruction, consultancy activities, the services of psychologists and school welfare officers, personnel training and leisure activities) as a whole, municipal expenditure—as we have already seen—varies between Skr. 13 and 514 per student, with a median of Skr. 131. Efforts per student increase with increasing urbanization, favourable population development and rising numbers of inhabitants.

Table 20 **Input of Auxiliary Personnel in ppw/student**

Municipality	Doctors	School nurses	Other health-personnel	Welfare officers	Psychologist	School hostesses	Recreation personnel	Welfare officer + psychologist	Total (excl. doctors)	No. students
Norrköping	0.4	3.6	0.1	1.4	0.8	0.2	1.2	2.2	7.4	13 712
Järfälla	0.2	4.0	—	2.9	1.5	5.7	—	4.4	14.1	8 097
Tyresö	0.6	4.3	—	2.9	0.9	—	—	3.8	8.1	4 685
Vilhelmina	—	3.4	—	1.7	—	0.1	—	1.7	5.2	1 153
Hammerdal	1.6	4.6	—	—	—	—	0.7	—	5.2	434
Forshaga	0.3	0.6	—	—	—	3.9	—	—	4.5	775
Kiruna	—	2.8	—	1.6	0.7	—	—	2.3	5.1	5 021
Oskarström	0.2	3.4	—	—	—	3.4	—	—	6.8	581
Torsås	0.1	4.8	—	1.0	1.9	—	—	2.9	7.7	837
Östra Färs	—	2.2	—	—	0.4	—	—	0.4	2.6	275

The SIA reform and equivalent educational standards

As from 1978 a new system or rules and State grants-in-aid will be coming into effect. The new system was proposed by the SIA Commission in 1974 and adopted by the Riksdag in 1976. There are above all three ways in which this system has a bearing on equivalent educational standards.

Firstly, it introduces new rules governing the number of teachers. Teacher resources in a municipality are to be divided into

- a basic resource, and
- an auxiliary resource.

The basic resource comprises those teacher periods corresponding to the number of student ppw after the number of students has been divided by the class division index (25 for junior level and 30 for other levels) in a school. Suppose, for example, that a school has 78 children in grade 1. The time schedule says that they are to have 20 lessons per week. We then divide 78 by 25 (the class division index), which gives us 4 basic resources of 20 periods each. Other resources (resource periods, remedial instruction periods, measures during the school day in the form of free activities) have been assembled in an auxiliary resource which is allocated to municipalities according to student numbers.

The system hitherto applied has favoured students in small classes. A small class of, say, 12 children in grade 1 has been divisible for 10 ppw (resource periods according to the time schedule). The same regulation has applied to all classes, i.e. including big classes of 25. The effect of this allocation system is that greater resources are deployed per student (previously resources were allocated per organizational unit, "class") and are therefore focused on urban areas, where classes are bigger and needs ought therefore to be greater as well. The purpose of this change was to provide students in densely populated school districts with a more equivalent educational environment.

Secondly, the SIA reform widens school responsibilities to establish a school day including free activities as well as lessons. In this way schools acquire a responsibility for the care of students and with it both the study and the opportunity of a limited involvement in the general environment outside school. As was shown in Chapter III, this new involvement is to be financed by means of a new State allocation, payable for each student in the municipality.

Thirdly, the report on which the reform is based emphasizes the duty of the LEA to "make unequal efforts for the attainment of equivalent results". In concrete terms this means that resources should not be apportioned according to some standard rule, e.g. number of students. The LEA's documentation for determining the allocation of resources should also be made to include particulars concerning the social situation in the area, the over- or under-subscription of school buildings, the staff turnover rate, etc. The intention, then, is for the LEA to use the mobile auxiliary resource to counteract any unfavourable environmental factors.

SPECIAL MEASURES ON BEHALF OF STUDENTS WITH DIFFICULTIES

Economic efforts on behalf of students with special difficulties have consisted principally of remedial teaching periods, and they will continue to do so until the SIA reform takes effect in 1978. Each municipality can draw on up to 0.3 ppw/student. These periods constitute the basis of remedial teaching appointment involving 26 ppw. Junior or middle level teachers can take a one-year course of further training to qualify as remedial teachers. Apart from a somewhat shorter working week—26 ppw instead of 30 ppw—remedial teachers have higher rates of pay than junior and middle level teachers. Remedial teachers are employed in elementary schools and at the special schools run by county councils for mentally retarded children.

There is a shortage of remedial teachers because the number of remedial teaching periods has been allowed to rise more steeply than the volume of training activities. At present only a third of remedial teaching appointment can be filled with duly qualified staff. Other appointments are held by "ordinary" teachers. This gives rise to a certain regional imbalance, owing to the difficulty of recruiting qualified remedial teachers in certain places remote from training centres.

The LEA decides how and where the remedial teaching periods are to be deployed. Remedial classes can be organized for backward children, for children with reading disabilities or for observation teaching. But remedial instruction can also be co-ordinated with regular teaching, in which case the remedial teacher will either work in the same classroom as the regular teacher, helping children with difficulties, or else work together with different students in a special room, usually concentrating on the subjects termed "basic skills". Co-ordinated remedial instruction is by far the commonest arrangement at present.

As mentioned above, the LEA also decides where (i.e. at which of its schools) remedial teaching periods are to be deployed. This question involves a number of highly important problems. The resource must actually benefit the students who are labouring under difficulties: consequently it cannot be evenly distributed between all schools and classes at a flat rate of 0.3 ppw/student. Nor can the LEA allow itself to be guided completely by the teachers' reports of children in need of help; their level of aspiration may have become adjusted to an accustomed standard.

The SIA Commission carried out a survey in which the deployment of remedial instruction was compared with students' results in achievement tests. Reading ability was rated on a seven-point scale in which, accordingly, 4 denoted mean achievement, thus:

	< 4	4	> 4
Urban area	46	39	19
Rural area	31	0	3

This shows the percentage of students at different achievement levels who had been given co-ordinated remedial instruction in Swedish when they were in grade 1. Thus of the students of more than average ability (> 4), remedial instruction had been given to 19 per cent in urban areas and 3 per cent in (sparsely populated) rural areas. In other words, the table indicates a far greater deployment of remedial teaching in urban areas than in rural areas. But the most remarkable thing is that so many urban students should have been given remedial instruction despite their being of average or above-average ability (39 and 19 per cent respectively). One reason may be that remedial instruction has been used in a bid to deal with social and emotional problems occurring predominantly in urban schools.

However, this originally unintended application of resources may have led to a reinforcement rather than a reduction of the difference of knowledge and ability initially existing between the children, since 58 per cent of the urban children already of average or more-than-average ability were given additional help.

The SIA survey bears witness to the difficulty of combining local discretion in the application of resources with the purposes underlying the award of a State grant. The intention of the State allocation (0.3 ppw/student in the municipality) was to provide help for students in difficulties. But the local authority responsible for the implementation of regulations is sometimes guided by other aims, i.e. the satisfaction of a powerful body of local opinion in a certain area or consideration for the locality of residence of the remedial teachers, or sheer ignorance concerning the students' true level of ability.

GREATER LOCAL RESPONSIBILITY

The central aim—an equivalent educational standard—is bound up with State financial involvement in the municipalities as set out in Table 21.

As far as I can see, it is not possible to depart from State organizational control if one is to maintain equivalent educational standards. Model 3, which

Table 21 **State financial involvement in the municipalities vis-à-vis ensuring an equivalent educational standard**

State involvement	Consequences in terms of equivalent standards	Consequence in terms of local responsibility
1 None	Great differences would arise due to inequalities of taxation resources and expenditure per student.	Complete local responsibility.
2 General financial grant to equalize taxation resources up to the mean level.	Differences would remain, because several municipalities are above the mean taxation resource level, and above all because of differences in expenditure per student; see Chapter V.	Complete local responsibility.
3 General financial grant together with an earmarked grant per student.	Differences, because school activities are far more expensive per student in certain municipalities.	Complete local responsibility.
4 General financial grant together with an earmarked grant per student and a built-in "geographical coefficient".	An awkward system which would be liable to cause endless disputes as to the justifiability of differences in expenditure per student. Differences would arise due to different municipalities according different priority status to the school sector.	Complete local responsibility.
5 General financial grant. State control of organization within certain frames. Earmarked grants towards personnel costs within the frames (proposed by the SIA Commission).	Principally the same standard. (For merits and demerits, see Chapter VI.)	Joint State and local responsibility. The situation applying as from July 1st 1978.
6 General financial grant. Detailed State regulation of organization. Earmarked grants which follow State decisions concerning organization.	Principally the same standard. (For merits and demerits, see Chapter VI.)	Joint State and local responsibility. (The present situation, continuing until 1978.)

is applied in other sectors, e.g. pre-school education, leads to differences that would be unacceptable to public opinion where schooling is concerned. But this also means that local responsibility cannot be complete. It can be increased, but responsibility must always be shared by State and municipality.

Opinions vary on the subject of central control versus decentralization. Historically, strong central control has generally been powerfully supported by the teachers' unions. The unions have been able to focus their influence and their collective negotiations on a single point, the National Collective Bargaining Office, and the NBE/Ministry of Education and Cultural Affairs. The same agreements concerning pay and conditions of service apply throughout the country, and qualifications and rules governing the evaluation of competence are equally uniform. Others, however, have stressed that, in many cases, central State control is an obstacle.

First and foremost this control poses a problem of general democratic principle. It has limited the influence and responsibility of the sponsor, i.e. the LEA. It has made the running of schools resemble the exercise of central authority rather than a response to local needs for co-operation concerning children's education.

Secondly, reference has been made to considerations of efficiency. Uniform control has been said to impede adjustment to local conditions and to have undermined local initiative. It has destroyed interest in the evaluation of results at local level, since if negative results were to be found there would still be no possibility of undertaking the necessary changes.

Thirdly, it is alleged to have had unfavourable economic consequences. When responsibility for expenditure is divided, with the State attending to personnel expenditure and the municipality covering materials and buildings, there is never any overall assessment of, for example, the costs of a reform. Economic long-term planning is made difficult for the municipality, because expenditure can rise as a result of reforms decided on by the State.

Local influence has increased in recent years. By and large, developments between 1969 and 1978 have moved and are moving from level 6 to level 5 (see Table 21). The salient features of this development process have been as follows.

Until 1969 the scope of co-ordinated remedial instruction was determined by the county school boards. This was logical, for it meant that a national authority determined the scope of the organisation and provided State grants-in-aid to cover the cost of teachers' salaries. But at the same time it was patently impossible for the difficulties of individual students to be made a subject of central assessment.

In connection with the curricular reform of 1969, decisions concerning the provision of co-ordinated remedial instruction were decentralized to LEA level. The types of difficulty warranting such measures were carefully specified, as were the numbers of periods that could be allotted to students with various difficulties. But at the same time it was obvious that the *degree* of difficulty occasioning help had not been defined and could not be defined unless one was prepared to introduce a careful test procedure and to give consideration to quantifiable circumstances only. Consequently we acquired a system whereby the municipality decided the scope of the organisation and the State bore the cost under the general salary grant.

The effects were not long in coming. Co-ordinated remedial instruction expanded at breakneck speed. Since there had not even been enough qualified remedial teachers before, the new arrangement merely resulted in a general rise in teacher density, i.e. the same effect as if the State had altered the standard class division indices of 25 and 30 in connection with the sanctioning of classes.

The obvious and inevitable remedy was effected in 1971, when a definition was adopted of the degree of difficulty justifying assistance. Needless to say, the only definition provided was in economic terms; remedial instruction was limited to the equivalent of 0.3 ppw/student in the municipality. It was left to the municipality to decide whether remedial instruction should be provided in class, in a work team or in a "clinic".

The 1969 reform of the curriculum also included other decentralizing provisions. The previous (1962) curriculum had included provisions for greater teacher density in certain classes and for certain subjects and parts of subjects. The time schedule stipulated in these connections that the class was to be divided into two groups for a certain number of lessons. The new curriculum introduced what were termed "resource periods", i.e. an excess of teacher periods over student periods per class and subject. This surplus can be used to divide the class into groups or to establish teams of two teachers working simultaneously with the group. The use to which the resource periods are put has no financial implications, since the State bears the salary costs in either case. On the other hand resource periods are still tied to special classes, grades and subjects.

The 1969 curriculum included two other points of interest with regard to school finance. Firstly, 20 per cent of resource periods at the senior level of elementary school could be applied to other measures than lessons taken by teachers, e.g. the participation of teacher assistants or outside experts or the provision of materials for students with school difficulties. The economic value of these periods was then computed at a standard rate.

Secondly, the number of lessons at senior level was reduced by two ppw and freely chosen work was introduced. This is not governed by a syllabus; its organisation is left to the discretion of the municipalities. The State contributes a financial grant at a standard rate. There are no stipulations regarding the qualifications of the persons leading these activities.

This form of decentralisation of organisational decisions within a given economic framework is amplified by the SIA Commission in its proposals. In addition to the basic resource there is also an auxiliary resource totalling 0.585 ppw/student. This figure also includes the periods termed

- resource periods
- auxiliary teaching periods
- retention periods
- periods for freely chosen work
- periods for voluntary instruction
- periods for special measures.

Hitherto all these various types of period have been subject to restrictions concerning the grade, class and subject to which they are to be applied and the purpose and occasions of their use. As from 1978 municipalities will have free access to the entire facility and will receive salary grants at a flat rate. In this way it will be possible to transfer efforts to different schools, school levels and student groups according to variations of local needs.

Nonetheless, this decentralisation is bound up with three completely separate problems. Firstly, the State's declared school policy defines a clear purpose for the periods concerned here. Their main purpose is to provide support for students in difficulty. This aim has not been decentralised in such a way that a municipality could instead apply the same resources to a general reduction of the numbers of students in *all* groups (in keeping with the popular demand for "smaller classes") regardless of needs. This dispersion of resources would constitute a strategic measure altogether contrary to what was intended. But there are obvious problems involved in *proving* that the disposition of resources in a

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municipality is inappropriate. Decentralisation has therefore been geared to a comprehensive scheme of school management training and in-service teacher training, as well as to evaluative measures by the county school boards.

Secondly, despite a decentralisation of school decisionmaking, local (= municipal) powers of decisionmaking will continue to be subject to all other restrictions apart from those indicated by the Education Ordinance. These include other legislation—e.g. concerning job security—and various agreements with personnel associations. It is to be expected that, at the *same time* as State legislative control is reduced, there will be an increase in the regulations imposed by collective agreements. Through the medium of central agreements with the Swedish Association of Local Authorities, various groups will attempt to gain assurance of uniform treatment in different municipalities. This Riksdag enactments passed in the spring of 1976 and widening the sphere of collective bargaining to include the direction and allocation of work will form the points of departure for this type of development. Consequently the entire complex of issues concerning centralisation and decentralisation is no longer a matter that political institutions can handle by means of Government Commissions and Riksdag resolutions. Instead it has become a matter for negotiation.

Thirdly, the combined State control of teaching organisation and formal qualifications has guaranteed the teaching profession a certain quantum of employment. This quantum has been subject to change in that changes in the numbers of students have led to changes in the scope of teaching organisation—the class division indices of 25 and 30 could give a larger or smaller number of classes from year to year. But the scope of teacher input has not been subject to alteration by municipal decisions in favour, for instance, of a reduction of the number of teachers and a corresponding increase in the number of assistants, welfare officers, psychologists and school hostesses in school or a balance between teacher inputs and material investment. Once the organisation has been framed in accordance with the State regulations—and approved by the county school board—State control also meant that teachers only could be engaged for the appointments in question. There are, moreover, very detailed rules governing the procedure to be followed at a school if there is a vacancy amounting to an appointment. The periods must be registered with the public teachers' agency and persons with the necessary formal qualifications must be sifted out of the mass of applicants. Detailed regulations then come into force concerning the evaluation of these applicants' qualifications. Once a teacher has been appointed, the LEA salary office can work out his status on the current salary scale, whereupon the municipality can request the necessary amount in the form of a State grant-in-aid.

If decentralisation were to include the right to choose the form of personnel input—teaching, welfare work, leisure activities, etc.—as well as the right to make organisational changes within a given framework, this would facilitate a more versatile approach to problems in school. At present the State contribution—e.g. in the form of salary cost coverage for remedial instruction—is limited to teaching activities in one form or another, even though there may be considerable problems relating to family relations, leisure interests and relations with other members of a student's class.

But a process of decentralisation that also enabled the municipality to select personnel within a given framework would mean obvious disadvantages to the teachers' unions. Consequently these unions have so far (e.g. within the SIA Commission) contrived to present any such decentralisation and have succeeded in retaining a "monopoly" of the employment financed by the State in schools.

Although, as we have seen, two changes were made in the 1969 reform (the introduction of the 20 per cent of resource periods and the State grant-in-aid for freely chosen work) the SIA Commission did not manage to advance much further along the path of decentralisation. Consequently the above-mentioned quota of 0.585 teacher ppw/student does not give the municipalities a completely free hand, for it stipulates the proportions to be applied to teacher input and other measures respectively.

RENEWAL IN SCHOOLS

The system of rules and finance provides one side—the State—with very great opportunities for effecting changes in schools. The State can revise time schedules, syllabuses, appointment structures, formal qualifications, and so on. By virtue of its control of basic and inservice training, the State can also influence teaching methods in the long run.

But the State, in common with other employers, has suffered a reduction of its sole right to direct and allocate work as a result of the development of labour legislation during 1976. In future school affairs will tend to be far less of a political question than previously; negotiations between the State and personnel associations will supplant the deliberations of the Riksdag. It is a hotly disputed point whether this will reduce or enhance the capacity of the system for renewal.

Seen from the viewpoint of the sponsor (the municipality in the great majority of cases) detailed State control is clearly hostile to innovation. The money placed at the disposal of the LEA may not be used in the manner which the LEA believes would have the best aggregate results. The essential point here is the connection between the "resolution" contained by the system of rules concerning the number of teacher periods and the fact that State grants-in-aid are geared to the cost of those periods. The LEA cannot reduce the number of teacher periods and instead use the money to engage recreation leaders, school hostesses, etc. in the school environment. Only the above-mentioned 20 per cent quota for the senior level and the new SIA funds for the financing of the school day are constructed in such a way that the municipality is free to choose the manner in which they are to be applied. Powerful union interests have staked various claims on behalf of their members and will not hear of any competition from other groups regarding those claims.

GREATER PARENTAL INVOLVEMENT IN SCHOOLS

Formally speaking, parents as such do not exert any influence in the schools their children attend[2]. They exert such influence solely in their capacity as voters for the municipal council which elects the members of the LEA (whose jurisdiction comprises the municipality as a whole, not individual schools). There is, of course, a deliberate policy here, namely to prevent groups of parents who are better educated and more articulate than others from obtaining a disproportionate degree of influence within the individual school.

On the other hand schools are closely in touch with parents via class meetings and 15-minute interviews with the parents of individual students. Insofar as this contact takes up the teachers' time, it can be said to be financed

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[1] On the other hand, of course, parents can influence *their own children's* schooling, with regard to choice of subjects, remedial instruction, etc.

by the State, since it is referred to in collective negotiations between teachers and the State. In the case of one teacher category—remedial teachers—the State has conceded a working week of 26 periods instead of the 30 usually taught by the corresponding category. The four-hour reduction, which can be said to equal eight hours' work (since there are correspondingly fewer lessons to be prepared) was originally justified by the need for these teachers to maintain closer contacts with the parents of their students.

In practice probably every school district has a parents' association. These associations usually receive a small grant from the LEA, as well as the free use of school premises for their meetings. The State makes a small grant to the National Federation of Parent-Teacher Associations, to which the majority of associations are affiliated.

A more extensive form of support was discussed by the SIA Commission, which proposed that every parent should be entitled to a day off from work per child and school level. On parents' days of this kind arranged by schools, efforts should be made to provide information on syllabuses and problems of the school environment, etc. The State should provide compensation for loss of earnings for the three days that would usually be involved. This compensation would be geared to the parental insurance scheme, under which parents are entitled to stay at home for ten days in the year to care for a sick child.

THE INTEGRATION OF SCHOOLS AND GENERAL CHILD CARE

The present situation

One of the principal aims of the SIA Commission was to bring about a closer integration of school and general child care. Hitherto this integration has been impeded by the following factors, among others:

1. The involvement of different Ministries (the Ministry of Education and the Ministry of Health and Social Affairs).
2. The involvement of different central executive authorities (the NBE and the National Board of Health and Welfare).
3. The involvement of different municipal authorities (LEA and child care committee, central social welfare committee or recreation committee).
4. The existence of different financial systems (State grants-in-aid based on completely different premises).

The most striking example is that pre-school education for children up to and including the age of six comes under the Ministry of Health and Social Affairs and the National Board of Health and Welfare. True, the municipality can choose between putting the child care committee (central) social welfare committee) or the LEA in charge of local pre-school arrangements, but the Bill recommended the central social welfare committee. There are, however, a few municipalities where pre-school education is sponsored by the LEA.

It is the duty of the municipality to provide pre-school facilities for all children between the ages of six and seven. Below these ages, arrangements are optional. The present integration of school and other activities can be illustrated by figures relating to integrated facilities. Out of a total of 4 743 school buildings,

227 (4.8%) were integrated with pre-school education
30 (0.6%) were integrated with leisure centres
114 (2.4%) were integrated with recreation centres
308 (6.5%) were integrated with gymnasiums

386 (8.1%) were integrated with public baths
495 (10.4%) were integrated with public libraries
235 (5.0%) were integrated with public halls.

Proposals and patterns of development

Financial instruments play an important part in efforts to achieve a better co-ordination of school and general child care. These instruments operate in three ways.

1. The institution of a grant-in-aid towards school day activities.
2. The obvious fact that the facilities at the disposal of the municipality in schools should be applicable to other activities as well.
3. Recent alterations to the system of State grants-in-aid for building purposes which have made it easier to start co-ordinated building projects.

The grants in-aid for the (integrated) school day have already been described. Concerning these grants the government Bill states that efforts should above all be made to enlist the services of members of voluntary associations for free activities during the school day. Close co-operation between different municipal authorities in the youth sector is also recommended. Simultaneously with the school day grant—but independently of it—other State grants-in-aid are made towards youth activities and voluntary associations. The municipality receives a grant (on a per student basis) in support of leisure activities, and voluntary associations receive grants towards activities involving young people between the ages of 7 and 25.

Chapter VII

CURRENT INVESTIGATIONS

Questions of finance were the subject of a Riksdag resolution passed as recently as May 1976, in connection with the SIA reform. The new rules governing State grants-in-aid and greater local powers of discretion regarding the system of rules come into force on 1st July, 1978. (These resolutions have already been described in Chapter VI.)

Meantime an investigation (under the auspices of the SSK Commission) has been in progress since 1973 concerning schools, the State and municipalities. Among other things the SSK Commission has been instructed to consider problems of finance. As we saw in Chapter VI, however, these problems are closely bound up with decision-making powers concerning organization, i.e. the system of rules. In this way they are also connected with the important political question of equivalent educational standards and with the vital trade union interest concerning the sole rights of different personnel categories to do certain jobs of work. If central controls are dispensed with, the unions can look forward to three unacceptable development trends:

- attempts to replace personnel input with material investments,
- attempts to reduce teacher density and instead to employ less expensive personnel, e.g. assistants of various kinds,
- a revision of priorities in the allocation of resources, to the detriment of schools and to the advantage of leisure activities, day nurseries, etc.

The work of the SSK Commission has been further complicated by the development of labour legislation. As was related in Chapter VI, during the spring of 1976 the Riksdag adopted a resolution transferring a large body of questions concerning the direction and allocation of work to the sphere of collective bargaining. Consequently the SSK Commission has so far only been able to present descriptions of the rules which applied formerly.

A report by the Commission entitled School Finance begins as follows under the title A NEW SYSTEM OF STATE GRANTS-IN-AID:

"In its report entitled *The Individual and School,* the Commission has outlined the following desiderata concerning a new system of State grants-in-aid for schools:

> The new system should contribute towards the maintenance of a uniform school system and equivalent educational standards.
> It should be corrected for inflation.

It should take into consideration the differences existing between individual municipalities.
The present apportionment of costs between the State and the municipalities should remain unaltered.
The new system should facilitate and encourage local powers of decision-making concerning financial, organisational and other matters.
It should encourage efficiency.
It should be administratively simple.

"If possible, a new system of State grants-in-aid should also be uniformly constructed for the entire fabric of youth education, i.e. both elementary school and upper secondary school.

"As was made clear in the introductory section, this increase of local responsibility for school organisation and the deployment of resources—which is recommended in our terms of reference—cannot readily be combined with a system of State subsidization which is founded on certain definite costs or types of resource, as is currently the case. In order to make it possible for municipalities to assume significant portions of present State responsibilities in the school sector, the State grant-in-aid must be made neutral in relation to costs, resource deployment and choice of organisation. A future State grant-in-aid ought preferably to be payable at a flat rate regardless of the school organisation and the resources with which the municipality has chosen to achieve the aims defined by the State for the school sector. It is, however, important to emphasize that a new and neutral system of State grants-in-aid ought to the greatest possible extent to be made compatible with the demands posed at the beginning of this section.

"In keeping with our terms of reference, our review of State subsidisation systems in the school sector will focus on efforts to devise forms of State subsidisation of the municipalities making it possible for a substantially greater share of responsibility for schools to be assumed locally."

Chapter VIII

SUMMARY

Instead of giving an abbreviated recapitulation of the content of the preceding chapters, I prefer to describe the system of finance as it can be experienced in an individual school.

The headmaster of a school district (on average comprising three schools) need have no worries concerning the actual *running of school buildings* (heating, electricity, water, etc.). This is attended to centrally by the LEA or the property administration authority of the municipality, which also makes costing estimates. All expenses are borne by the municipality.

Where the *maintenance* of the school buildings is concerned, it is usually up to the headmaster to submit proposals. But more often than not the decisions are taken by the buildings committee of the LEA within the framework of an allocation which the LEA has to request every year from the municipal council.

Should the question arise of a *new building* or the alteration of an existing building, a difficult procedure ensues. It is rare for a municipality to be willing or able to finance the entire building operation itself. For this to be possible, the municipality would need to have investment funds to draw on and it would have to be independent of outside credit. If the municipality needs to borrow money, the State will only sanction the raising of a loan if the municipality has applied for a State grant-in-aid. It is by granting or refusing applications for State grants-in-aid that the State is able to control the volume of investments, i.e. the proportion of society's resources that can be devoted to school building projects (in terms of capital and labour).

In order to obtain a State grant-in-aid, the municipality must investigate the need for facilities. County school boards determine the order of priority of school building projects in their counties.

School meals and school transport are large items of expenditure on the LEA budget. They are financed entirely by the municipality. As a rule the headmaster has to devote a great deal of work to the planning of school transport, since the greater part of Sweden is thinly populated. The usual practice is for a contract to be awarded to a taxi or bus company.

Another extensive task for schools is to calculate expenditure on *textbooks* and writing materials. The Riksdag has resolved that books are to be free of charge. The municipality has to pay for them. The school also receives municipal allocations for *teaching materials*, AV equipment, field trips, school outings, sporting activities, etc.

The headmaster and/or the LEA request and the municipal council grants all *municipal appointments*. Within the school system this means all appointments except those of teachers and school management; in other words, it includes caretakers, technicians, clerical staff, welfare officers, school psychologists, school doctors, school nurses, school hostesses, school librarians, school engineers, etc.

School doctors and school nurses hold the only compulsory appointments; the State has stipulated that these appointments must be established. "A full-time school nurse should not be responsible for more than 1 500 students." But the municipality has to meet all expenditure concerning services of this kind, and agreements concerning pay and conditions of service are negotiated by the Swedish Association of Local Authorities. The number of appointments can vary from one municipality to another.

Concerning the organization of teaching, the headmaster compiles a draft as provided by the Education Ordinance and the time schedule. This is inspected by the county school board, and finance is automatically arranged once the draft has been approved. Only teachers may be engaged for the *teaching periods*, the number of which can now be computed. The State has negotiated an agreement concerning pay, working hours and other conditions. Where working hours are concerned, only the number of teaching periods is regulated. Junior and middle level teachers have 30 periods per week. If, for example, the headmaster finds that he has 948 junior level ppw in his district, this makes 31 full-time teaching appointments and an additional 18 teaching periods. The municipality pays the teachers' salaries and requests the corresponding amount.

If there are immigrant children in the headmaster's district, he can organize groups of 3-5 children and provide each group with 6 hours' special training. Teachers' salaries are paid by the State, which also meets the cost of *remedial teaching* and the *teaching of sick children*.

Thus no total budget is necessary in the school sector, and none is compiled. The headmaster cannot reduce the volume of teaching—which is regulated and paid for by the State—in order to increase the welfare measures financed by the municipality.

ITALY

by

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INTRODUCTION

This case study of the relationship between modes of finance for primary schools and educational policy objectives in Italy is presented as follows :

Modes of finance for primary schools and educational policy objectives in Italy is presented as follows :

- the origins and present structure of the administrative system for primary education, in the context of the political and administrative organisation of the Italian Republic;
- the distribution of legislative, administrative and financial responsibilities for primary education among the different levels of government (central government, the Regions, the communes);
- the structure and characteristics of the sources of financing; revenues of central government, Regions and communes;
- financial instruments and administrative regulations for expenditure on primary education; analysis of the relationships between sources of financing and the locus of political control and management of resources and expenditures; analysis of the characteristics and impact of the decentralising process currently in operation;
- percentage distribution of average current expenditure per pupil among the budgets of the various levels of government; various statistical indicators;
- relationships between the characteristics of the financial machinery for primary education and the objectives educational policy; historical and sociological analysis of the degree of territorial inequality in education; relationships between inequalities and political/administrative centralisation;
- appraisal of the effects of the existing financial instruments on the implementation of three interrelated policy objectives: equality in education; decentralisation of control over primary education; free parental choice of school.

Chapter I

THE ITALIAN POLITICAL-ADMINISTRATIVE SYSTEM AND THE SCHOOL SYSTEM

ORIGINE OF THE CENTRALISED SYSTEM

Primary education in Italy is centralised, i.e. administered directly by central government, except that some powers and responsibilities are delegated to local authorities. Moreover, primary education is predominantly in the hands of the public sector: only 7 per cent of pupils attend private primary schools.

The first basic law on education (the Casati Law of 1860), which historically laid down the centralised bases of the educational system at the time of the creation of the Italian State, assigned the administration of primary schools to the communes, and not to central government, although the latter was made responsible for other types of education. Not until 50 years later (with the Credaro Law of 1911) was the central government made responsible for administering primary education, and this was done not for the sake of strengthening the centralised system but in pursuit of a specific educational aim—to abolish illiteracy. Management by the communes had up to then been unsatisfactory, owing to their inadequate financial resources. In addition the local authorities seemed to have little enthusiasm for the objective of education for everyone. The result was that illiteracy rates remained high.

THE PRESENT SITUATION

Italy's political and administrative system has four levels of government:

- Central government
- The Regions (20)
- The Provinces (94)
- The communes (about 8 000).

A Province forms part of a Region; similary, a commune forms part of a Province.

Central government is administered through central and local agencies. For education there is a central Ministry working through the local *Provveditori agli studi* or Education Inspectorates. The area covered by each inspector coincides with the Province and there are thus 94 in all.

The *Region* is a politically independent entity with legislative and administrative powers, responsible for planning and financing rather than for direct management. It is, in fact, laid down that direct management should be delegated to the Provinces and the communes (see below). The Regions were set up in 1972.

The *Province* is a local administrative body with limited powers. In educational matters it has powers supplementing those of central government in respect of post-compulsory education.

The commune is the basic unit of local government; it coincides with the population and area of every urban (or rural) district. Communes can therefore vary greatly in size: from the City of Rome to the small village of less than a thousand inhabitants[1].

In education the responsibilities of the commune supplement those of the central government mainly with respect to pre-primary and compulsory basic education (primary, and lower secondary education).

The primary education network consists of about 4 400 *circoli didattici* or educational sections, 31 000 schools with 4.5 million pupils and 240 000 teachers. The educational section (i.e. a small educational district) is the basic unit in school administration and is headed by a Director who reports to the Provincial Education Inspectorate. The Director implements decisions about school life taken by the Section Board. These Boards consist of representatives elected by parents and pupils, one of the parents' representatives acting as chairman.

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[1] Communes by size of population

Population	Communes
Under 2 000	3 662
2 000 to 10 000	3 505
10 000 to 100 000	837
Over 100 000	42

Chapter II

THE DISTRIBUTION OF LEGISLATIVE, ADMINISTRATIVE AND FINANCIAL RESPONSIBILITIES FOR PRIMARY EDUCATION AMONG THE VARIOUS LEVELS OF GOVERNMENT

As already mentioned, the Italian State is divided into Regions in such a way as to form a decentralised, almost federal, system.

There is a number of matters on which the power to legislate lies not with central government but with the Regions. They are, however, required to follow certain broad principles that have been established centrally[1]. The matters so delegated do not include education, which comes under central government, but there are two fields associated with it that do come within the legislative responsibility of the Regions: these are school assistance and school building.

The power to legislate for primary education is thus shared between central and Regional governments, the State being responsible for the school system and the Regions for supporting and supplementary activities.

As to the *governance and administration* of the various activities in primary education, responsibilities are divided among the three levels of government—Central, Regional and Communal—as shown in Table 1.

Table 1. **Location of responsibility for the various aspects of primary education**

Central government	Region	Commune
Setting-up of schools[a] Recruitment and administration of teaching and administrative staff	Transport School meals Social work	Recruitment and administration of auxiliary staff (caretakers, etc.)
School programmes (curriculum)	Free provision of textbooks	Construction of school buildings
Selection of textbooks	Financing plans for school building	Maintenance of school building
Timetabling	Technical supervision of school buildings	Operatinge xpenditures (heating, electricity, etc.)
School organisation		
Educational psychology services		
Cost of materials		Teaching equipment
Audiovisual aids		School medicine
Educational building standards		

[a] New schools are set up after consultation with the Region.

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[1] These are: commune boundaries: local police, urban and rural; fairs and markets; public welfare, health and hospital assistance; vocational and technical training and educational welfare; local museums and libraries; town planning; tourism and the hotel industry; regional tram and bus services; regional roads, water supplies and public works; lake navigation and ports; mineral and spa waters; quarries and peat bogs; hunting; inland water fishing; agriculture and forestry; craft trades.

The distribution of administrative responsibilities among the three levels of government is the basis also for the location of financial responsibility. In other words, the central government, Regions and communes usually finance those activities over which they have governing or administrative powers: accordingly, on the expenditure side of their respective budgets there are sub-heads corresponding to the services listed in Table 1. In some cases, however, there is a transfer of funds from government level A to government level B, the budget for A including therefore an item for financing all or part of the administrative responsibilities of B. Thus the division of financial responsibility among the three levels does not altogether coincide with the division of administrative responsibilities. This is discussed in more detail below but at this point it should be explained that :

a) over the last 15 years central government has been providing the communes with funds on an ever increasing scale to help them meet their educational obligations These funds are provided through three channels: *i*) a block grant from the Treasury to the communes for various types of current expenditure on education; *ii*) an earmarked grant from the Ministry of Education for purchasing educational equipment and facilities; *iii*) central government funding of plans drawn up by the Regions for the construction of schools required by the communes.

b) In nearly all cases the Regions delegate the direct management of activities and functions in education to the communes; their educational expenditures therefore consist of transfers to the communes.

It should be noted that neither central government nor local authorities earmark the yields of particular taxes for the direct financing of education. Such a procedure is never employed in the Italian tax system.

As already observed, the Region does not normally act directly in the matters for which it has legislative responsibility, but delegates their administration to bodies at a lower level. This applies, for example, to school assistance, a system worth describing as an interesting example of decentralisation. The principle of delegation here stems from the basic characteristics and functions of the Region: essentially a branch of government, with planning and supervisory responsibilities, at the hub of a complex system of local agencies to which it delegates responsibility for practical implementation.

Most Regions have delegated responsibility for school assistance to the communes for the period of compulsory education and to the Provinces for the period of post-compulsory secondary education. Their overall responsibility in this matter, however, is attended by problems in interpreting how far their power should extend vis-à-vis central government and in effecting operational co-ordination between themselves and the State.

If the expression "school assistance" is understood to mean any action taken in the interests of what is often called "equality opportunity" or making the right to education effective, it necessarily follows that such action cannot be limited to financial help and extra-curricular services. It must also include what are called compensatory educational activities (such as remedial classes), and more individualised instruction. But none of this can be planned or managed separately from ordinary educational activity. In this dilemma, the Government has chosen to interpret the powers of the Regions restrictively, making them responsible only for "non-educational" school assistance, i.e. suppling physical services external to teaching itself (school meals and transport) and cash aid for scholarships or for buying.

The entry of the Regions (and through them, the communes and the Provinces) into questions of educational policy, although limited to specific, supplementary issues, has inevitably awakened and/or developed the natural interest of the local community in participating in national (not just sectoral) terms in educational policy, also influenced by the crises and operating difficulties in the state schools. The proof of this is the fact that a high percentage of medium-sized towns, in spite of financial difficulties, have developed educational activities supplementing those provided by the State (for example, extending school attendance to the whole day), even though they are not required to do so by law.

Chapter III

FINANCIAL SOURCES AND INSTRUMENTS AT THE VARIOUS LEVELS OF GOVERNMENT

In examining the pattern of educational financing it is advisable to consider the fiscal and financial instruments, distinguishing in particular between sources of general revenue and financial instruments that are specifically earmarked for education.

Since the administration of primary education is mostly in the hands of the central government it might be logical to start by examining the finances and tax system of the State. But this would be of no particular relevance to the present study, since Italy does not differ much from any other centralised state in its sources of tax revenue. We may more usefully look at the system of local financing, by which the Regions and communes with administrative responsibilities in the field of primary education are funded. This, however, will involve referring to central government financing.

Local financing in Italy can be regarded as a mixed system: the various levels of local government obtain tax revenues partly from taxes of their own and partly from a share in central government taxes—a pattern midway between the English and the French systems. We shall look separately at the financial organisation of the Regions and communes in their relationships with central government.

The revenues of the Regions are made up as follows[1]:

a)	regional taxes	6.3 %
b)	allocation from central government taxes	3.0 %
c)	general government fund for the operation of the Regions (non-earmarked)	32.0 %
d)	earmarked, special purpose funds	54.1 %
e)	income from capital and miscellaneous	4.6 %
		100.0 %

As can be seen, the financial independence of the Regions is very limited. Taxes which they have the power to levy bring in only 6.3 per cent of their revenue (*a*), while the remainder comes from central government in three different forms (*b*)-(*d*). It is perhaps useful to explain these a little further. Item (*b*) refers to the central government allocation to the Regions of the entire yield of certain state taxes raised in the Region concerned. Item (*c*) is an allocation from a national general purpose fund, consisting of a percentage of the yield from centrally-imposed taxes on the production and sale of certain products (including alcoholic beverages). Item (*d*) is a central government allocation to the Regions of a series of funds earmarked for particular functions or activities (nursery schools, vocational training, health, regional economic development, etc.). Funds of this kind are financed under specific sub-heads on the expenditure side of the state budget.

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[1] These figures are taken from the 1976 budget estimates for the 15 Regions with ordinary status.

The basic financial instrument of the Regions is the general fund itemised above as (*c*). As well as largely replacing regional taxes by central taxes as the source of finance this fund is also designed to produce an equalising effect, offsetting the marked economic differences between one region and another. It is distributed in accordance with the following rules:

- six-tenths in proportion to the population;
- one-tenth in proportion to the area;
- three-tenths taking account of *i*) the emigration rate, *ii*) the unemployment rate, *iii*) per capita income.

It should be noted that, at present, about half of the expenditure of the Regions is on activities financed with earmarked funds. In order to understand fully why the Regions are so remarkably limited in their autonomy it must be remembered that they only came into existence in 1972. Since then there has been a gradual transfer to the Regions of what were previously central government responsibilities. To enable the Regions to discharge these, special funds have been introduced from time to time. Funds of this kind are not justified in themselves, and would seem to present a threat to the future autonomy of the Regions; nevertheless at the moment they may perhaps be excused as a temporary measure for making resources immediately available during the shift from central to regional government. In a few years the whole regional financing system will need to be reviewed in order to replace these earmarked funds with something of a more general-purpose character. If, on the other hand, the present funding system is perpetuated, it will have to be admitted that the role the Constitution has assigned to the Regions is not being fully performed, and that central government, by controlling the final destination of regional expenditure, is safeguarding itself against their independence. Whatever political view may be taken of this, the fact is that in Italy the local authorities themselves have no sense of financial autonomy (meaning a combination of rights and duties) because of their now inveterate habit of borrowing. Their debts are occasionally taken over by the central government and this explains, though it does not justify, a possible preference on the part of the state for earmarked rather than non-earmarked funding, as being more likely to ensure a balance between needs to be met and resources available, without running the risk of inflation.

In this specific case they can guarantee a heavier investment commitment (many of these funds being used for capital account outlays) which would otherwise be weakened by the present tendency for local authorities to use their own resources in current expenditures.

The financial system of the communes is going through a period of profound change and acute crisis. A fiscal reform measure of 1973 coordinated and allocated to central government taxes of a kind that had previously been levied independently both by the State and by the communes. There had thus been two autonomous and partly overlapping tax systems each with its own procedures for levying, assessment and collection. This applied particularly to personal income tax (which was the major source of tax revenue for the communes).

Under the 1973 reform, pending wholesale reorganisation of local government finance, the commune taxes which were abolished were replaced by a central government grant equal to the amount obtained by each commune from this source in 1972.

The present revenue structure of the communes is as follows:

Current revenue of the communes
Italian lire, billion

	1970		1975	
	Amount	%	Amount	%
Tax revenue	1 036.2	56.8	472.9	14.3
of which:				
Personal income and capital taxes	569.8		450.4	
Consumption taxes	466.4		22.5	
Non-tax revenue	725.4	39.7	2 702.2	81.9
of which:				
Transferts from central government	370.9	(20.3)	2 037.0	(61.7)
Total current revenue	1 825.7	100	3 299.0	100

The change is very obvious: between 1970 and 1975 the communes, revenue from their own taxes decreased from 56.8 per cent to 14.3 per cent.

The 1973 reform also aggravated the already serious economic position of the communes: this is partly because, under the central government's financing machinery, the sum accruing to the commune is revalued from year to year at a much lower rate than the rate of increase in the cost of living.

The indebtedness of the communes has now reached exceptional levels, as can be seen from the following figures.

Method of Covering Expenditure
Per cent

	1967		1976	
Revenue (taxes, central government, transfers)	59.8		43.0	
Debt	40.2		57.0	
of which:				
Deficit on current account		10.9		24.0
Deficit on capital account		13.2		9.7
Repayments on previous loans		16.1		23.3
Total expenditure	100		100	

It seemed advisable to draw attention to this critical economic situation of the communes in order to show why it is impossible, at present, to think of giving them greater responsibility for the administration of primary education. While the structure of local finance remains so weak, decentralisation cannot be relied upon to achieve a higher standard of education. At present, in every 100 lire of current expenditure, a commune devotes more to paying interest on debts (20 per cent) than to education (14 per cent).

As from 1978, however, the trend may reverse; rigid government control and an increase in transfers from central funds to the communes will prevent them from resorting to borrowing in order to cover the *current expenditure* deficit.

Chapter IV

FINANCIAL INSTRUMENTS AND ADMINISTRATIVE REGULATIONS IN PRIMARY EDUCATION

THE ROLE OF ADMINISTRATIVE REGULATIONS IN EDUCATIONAL FINANCE

In the majority of countries, financial instruments like those defined here have a fundamental role in the process of allocating resources for education. Financial instruments in the strict sense consist chiefly of funds or monetary grants transferred by government level A to government level B; such monies are disbursed for more or less strictly defined purposes, and, must be used in accordance with certain conditions. In Italy, 80 per cent of current expenditure on primary education is made directly by central government, without any movement of funds to a lower level of government; consequently, financial instruments in the strict sense are of less importance than in other countries. What are important however, are the regulations that govern and determine expenditure within the central government administration. Furthermore, if the financial instruments (in the broad sense) include the items in the state budget, it becomes possible to formulate a theoretical system which considers the different weight given in countries with different systems of educational organisation to *a*) administrative regulations and *b*) financial instruments, regarded as two aspects of the same system.

For the sake of simplicity, countries may be said to fall into one of four categories of situation:

1. high degree of central control and high degree of central financing;
2. high degree of central control and low degree of central financing;
3. low degree of central control and high degree of central financing;
4. low degree of central control and low degree of central financing.

This form of arrangement reflects a spectrum gradually shifting from centralised countries to non-centralised countries. In general terms Italy falls clearly into category No. 1 but it is worth pointing out that if the pattern is examined analytically (that is, with regard to the financing of the individual components of the educational service, such as teachers, buildings, social services for the school, etc.), for certain secondary functions, such as expenditures on school building, Italy finds herself in situation No. 3.

Looking now at current expenditure as a whole, it may be said that the high degree of central control is due to the fact that political authority lies almost exclusively at the centre of a vast educational organisation which, in the primary sector alone, is made up of nearly 250 000 teachers and 31 000 schools.

Since central government is directly responsible for school management, there are no forms of political decentralisation at lower levels. In the absence of this, there can be no discretion in the use of the resources. This is why there are no financial instruments embracing some degree of local autonomy. School administrators, having no political responsibility, must follow very detailed rules. The financial instruments are very simple and unsophisticated because these rules cover all activities in such a rigid and spelt-out manner.

A second general point can be made: financial instruments in the strict sense are more extensively used the greater the political authority for education at non-central level; the less the intermediate political authority, the more significant become the administrative regulations.

In the case of Italy, as we shall see below, an interesting change has been taking place since 1974 in the organisation of authority in education: governing bodies have been introduced right at the bottom of the state school system. Responsibility for the schools continues to lie with the central government but within this jurisdiction some political decentralisation has been introduced, for example, local educational authorities, with membership elected from below, have been created and they are beginning to make themselves felt on the financing system. In some sectors, as we shall see, the importance of financial instruments is increasing and the degree of regulation is diminishing.

GOVERNMENT AND PARLIAMENTARY POWERS IN EDUCATIONAL FINANCE

A second aspect of this review is: Who makes the rules governing educational expenditure? In the Italian system the decisive powers in this field belong to Parliament. It is Parliament, for example, that determines how many hours a teacher is to spend in the classroom; whether or not pupils are to receive psychological assistance; teacher salary scales and recruitment procedures; what type of remedial teaching to introduce; what assessment techniques the teachers should adopt; whether or not teachers with special skills (or foreign languages) should be used. Thus, even the minutest organisational and teaching rules have to be specified by law, and, central government has only limited room for manœuvre in the process of expenditure. As will be explained presently, this predominance of the legislative power frequently prevents the necessary flexibility and speed in the deployment of economic resources to propel the school system in the direction of particular goals; this matters particularly when educational innovation is called for—for example in the pattern of expenditure.

GENERAL FRAMEWORK OF THE FINANCIAL INSTRUMENTS FOR PRIMARY EDUCATION

Having described some of the features of the relationship between financial instruments and administrative regulations in the Italian system, we many now look at the ways in which these financial instruments operate, distinguishing them by type of expenditure (on current or capital account) and, within each of these categories, by level of government.

The system of financial instruments for primary education in Italy

- A. *Current expenditure*
  - A.1. Direct expenditure within the central government administration
    - A.1.1. State budget items of direct expenditure
    - A.1.2. Transfers from central government to the Education Administration Board (Consiglio di amministrazione della scuola —Consiglio di circolo)
    - A.1.3. Expenditure planning power of the School District Board (Consiglio di distretto scolastico)
- A. A.2. Grants from central government to the communes
  - A.3. Transfer of funds from the Region to the communes
  - A.4. Commune budget items
- B. *Capital account expenditures*
  - B.1. Transfers from central government to the Regions
  - B.2. Grants from the Regions to the communes
  - B.3. Direct investment by the communes.

CURRENT EXPENDITURE

Direct central government expenditure

The principal financial instruments through which resources directly managed by the central government are allocated are the items of sub-heads of the annual budget of the Ministry of Education, approved by Parliament. The most important items for primary education are as follows (together with the appropriation voted for 1977 in million Lire):

Principal items in the Ministry of Education Budget for Primary Education, 1977

		Million lire
a)	Salaries to administrators and inspectors	36 000
b)	Salaries to teachers	1 577 000
c)	Educational welfare services	3 000
d)	Free textbooks for pupils	20 000
e)	In-service training (this item covers teachers in all types of school)	3 15[illegible]
f)	Grants to individual schools (circoli didattici) to cover operating costs and teaching materials	26 000

Some features of this financial instrument are of interest for their effect on educational policy objectives. In the first place, the appropriation for any one item in the budget proposals may vary from one year to another, reflecting the Ministry of Education's assessment of trends in quantitative requirements. The sum proposed is thus the result of a discretionary decision by the executive after negotiation between the Treasury and Education Ministry (there are also, of course, changes due to new legislation, such as that amending teachers' salary scales or hours of work). In practice some items of expenditure are fairly rigid: one instance is expenditure on staff, who can never be dismissed however the number of pupils declines, and who must be recruited at a sufficient level to respect the maximum pupil/teacher ratios specified by law. Any restrictions on public expenditure therefore fall on other items of expenditure, such as those needed to attain new educational objectives.

Another feature of interest is that the distribution of available resources among the various items is an operation performed at central level, on the basis of discretionary assessments. There is therefore, little possibility of account being taken of the real needs and educational objectives of each school. Consequently, schools are often forced to shape their activity in accordance with the resources and instruments made available by central government, rather than with their own internal needs. It may often happen that the resources made available under one budget item are excessive and cannot be fully spent, whereas those available under another item are insufficient.

A third point is that when it is desired to introduce a new item of expenditure into the budget, or to change an existing one, this must be done by means of a law authorising and financing the new activities, or making the desired changes in activities already authorised. The budget is therefore the outcome of piecemeal legislation enacted at different times and, therefore, reflecting a mixture of often outdated educational policy choices and pedagogical ideas. This lack of homogeneity leads to the dispersal of resources among unco-ordinated channels. The system also slows down educational innovation, since the availability of new instruments or funds must wait for legislation creating the new budget item. Every budget item by definition, then, is required to specify the object of the expenditure; existing items cannot be sufficiently flexible to permit a satisfactory degree of innovation, or a replacement of the old by the new.

In summary, then, the financial system of the Ministry of Education adapts quite well to the trend of quantitative requirements, but is somewhat rigid in response to qualitative trends.

As regards the territorial distribution of the financial resources made available through the budget, there are binding rules, but there is a single instance of a geographical provision being made in a general law[1] where 40 per cent of central government funds for equipment and investment is earmarked specifically for the Regions of southern Italy. In the case of primary education this rule applies to the budget item for expenditure on audio-visual and teaching equipment.

For the other items (except for teachers' pay) allocation among the Provveditorati (the Ministry's administrative areas coinciding with the territory of the Provinces) is not done by mechanically applying some coefficient but is carried out empirically by means of advisability assessments based on objective data. Depending on the type of expenditure, one or more of the following criteria are applied:

- expenditure may be proportional to the number of pupils in the province;
- account may be taken of socio-economic conditions (sometimes part of the sum is reckoned in inverse proportion to the average per capita income in each province);
- account may be taken of the pre-existing volume of activity;
- account may be taken of requests received, when funds are sufficient to cover them all.

Looking at the distribution of central government expenditure over the country as a whole, we find that socially and economically disadvantaged Regions receive more than the others.

The budget item "salaries to primary teachers" amounts to the huge sum of over 1 500 billion lire, about US 1.7 billion, and is the largest item anywhere in the state budget. It therefore requires further comment as being clearly the most important instrument in educational finance. The size of the appropriation depends on the forecast of teacher requirements, which are calculated on the basis of the following rules laid down by law:

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[1] Law of 6th October, 1971, No. 853 on the financing of the Fund for the South.

- a maximum of 25 pupils per class (no minimum size is specified);
- the obligation to set up a school wherever there are at least 10 pupils, when the nearest school is more than 2 km away (5 pupils are sufficient when communication by road is particularly difficult);
- in the case of small schools with combined classes, the teacher must not be required to teach a class of more than 10 pupils.

This item is clearly governed by very strict rules to protect the rights of serving teachers, but there are no such regulations with the purpose of: achieving economies in expenditure on teachers (perhaps in favour of other items of expenditure); or achieving a uniform pupil/teacher ratio throughout the country. In the absence of such mechanisms the staff expenditure item is under pressure from trade unions and young teachers seeking their first posts. Current data confirm what has already been said. For example, the average number of pupils per teacher is rather low and tends to decline as a result of the demographic downturn; at present (year 1975-76) the pupil/teacher ratio is 18.8. Yet again, the variation in the average number of pupils per teacher among the 94 Provinces is rather high and only partly attributable to environmental differences: the highest pupil/teacher ratio is 23.03 (for the Province of Catania), while the lowest is 12.41 (for the Province of Isernia). It is also noteworthy that 15 provinces have an average ratio of less than 15 pupils per teacher. Recent legislative reforms have introduced an important innovation in the way in which school operating expenditures are financed, which may help to remedy the disadvantages of direct central government disbursements to which we have already referred. For each "circolo didattico" a School Administration Board (Consiglio di circolo) has been set up, consisting of representatives of parents and teachers. These Boards, which possess administrative autonomy but have no legal status apart from their recognition by the central administration, have been made responsible for managing a budget of their own.

The Revenue of these budgets comes from the school operating expenditure fund—an item, as we have seen, in the Ministry of Education's budget. For the year 1977 this amounted to 26 billion lire, equivalent to some 5 million lire per educational section, or 6 000 lire per pupil. The Boards autonomously disburse their allocations for items such as the following:

- purchase and renewal of small items of scientific, technical and teaching equipment, including audio-visual aids and books;
- conservation, ordinary maintenance and rental of technical and scientific equipment and all forms of teaching material;
- purchase of day-to-day sundries;
- expenditures on para-school, inter-school, extra-school and recreational activities and welfare measures;
- expenditures on sporting activities;
- general operating expenditures.

What is new about this is that it brings about some degree of political decentralisation in the administration of the schools by enabling greater Board autonomy in decisions on expenditure. There is innovation, too, in the way in which the budget of the Ministry of Education is drawn up and managed. Two of its standing rules are that budget items must not be general, but must indicate the precise nature and purpose of the expenditure; and that no sums may be transferred from one budget item to another during the course of a year. With the introduction of the budget for the Section Boards these two rules have in effect been disregarded by the introduction of an item that entails a transfer of funds from one level of government to another and may therefore be of an imprecise nature and have a fairly general purpose. In fact it is a block grant.

Another sector in which decentralisation is occurring within the administration is in-service training for teachers. As from 1977, an amount is transferred from the Ministry budget to the Section Board budget for such activities independently administered, although, at 300 000 lire per Section, the sum is still somerhat modest. To appreciate the extent of this innovation it must be borne in mind that in-service training was previously minutely controlled from the centre: for example, a uniform amount was fixed centrally as the hourly remuneration for in-service training instructors.

The process of political decentralisation within the administration of State primary education engendered in 1977 not only the School Administration Board but another new type of body: the school district. The school district is an optimal educational planning area. The country has been divided into about 800 school districts, each with an average population of 70 000 and 15 000 pupils. The district is headed by a Board consisting of members elected by the various components of the school world (parents, teachers, pupils) and members representing the communes, employers and trade unions. The district Board does not administer funds or manage services, but has planning powers in various matters such as: para-school, extra-school and inter-school activities for the forthcoming year; school and vocational guidance services and school welfare; school medical services; courses at the "scuola popolare"; the expansion of cultural and sporting activities for pupils; and experimental activities.

The Board also frames proposals for the setting-up, location and expansion of school institutions and their buildings in order to establish socially and territorially integrated school units and ensure that each district has state schools of every kind and level. This planning activity consists essentially of advising the central administration how, and on what, to spend the appropriations in the State budget for the benefit of the schools and educational services in the district concerned.

These bodies will gradually help to change the process of expenditure by the central administration. In contrast to present practice, the central administration will be concerned chiefly with allocating the available amounts among the districts, subdividing the permitted expenditure into a few very general categories. It will then be the Board, elected locally either in the district or in individual schools, which determines the targets, procedures and destination of the money.

Financial transfers from the central government to the communes

Although the communes have only auxiliary functions in the administration of primary schools, the central government has realised that all local authorities need assistance if these auxiliary services are not to suffer as a result of underfinancing. Accordingly an annual block grant system was introduced in 1961 for expenditure on compulsory education, no distinction being made between primary and secondary levels. These grants were made to each commune on the basis that half the amount was calculated in proportion to the school population, and the other half in proportion to the resident population of compulsory school age.

A corrective mechanism favours the communes with small, scattered schools, but there are no rigid rules for determining the total amount that should be made available to any one commune. In practice, the annual grant represents about 40 per cent of a commune's mandatory current expenditure in the preceding year[2].

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2. The percentage effect of the grant in commune expenditure is in fact much lower, because in addition to its mandatory expenditure (on which the grant is based) a commune incurs a substantial volume of expenditure which is not compulsory by law but is regarded as important and necessary by the local authorities.

The purpose of this grant is not only financial but psychological, for, as we have seen, the commune has traditionally no direct role in the formulation of school policy, nor does it regard any school as its own: the school belongs to the State. The commune has only been called upon to provide subsidiary services such as payment for caretakers, school construction and maintenance. The other grant the communes receive from the Ministry of Education (and this is small) is for teaching materials and equipment. This is calculated on the basis of discretionary assessments up to the limit of the funds available, to a maximum of half the proposed expenditure.

Financial transfers from the Regions to the communes

As already mentioned, it is the Regions, not central government, that have legislative and administrative jurisdiction over school assistance. For such auxiliary school services as transport, meals, books and cash grants to families the Region in fact delegates its authority to the communes and provides the necessary funds for the performance of the duties thus delegated. This is not just a matter of a supplementary grant or money for a special programme; it is the complete transfer of responsibility from one level of government to another. In more precise terms one might say that the Regional government has the responsibility for allocating resources among the various social policy aims while the commune is responsible for organising the attendant services; but in doing so the commune also has the political power to allocate resources among sub-goals and the various local objectives that have priority. The Region reserves the right to determine general rules and to earmark resources for particular purposes. There has been discussion, and a certain amount of conflict, over the degree of independence the communes should enjoy under the new arrangement, particularly as regards their freedom to apportion funds among the various functions. Individually the Regions have found more or less liberal solutions to this question. Most of them have retained the right to apportion funds between the various levels of education (pre-school, compulsory, higher secondary school). These disbursements can be regarded as category grants, and they are allocated among the communes in accordance with the size of the school population and the socio-economic conditions pertaining locally.

One interesting financial instrument used by some Regions (Tuscany, for example) provides for additional finance to communes who have formed a consortium to operate their services jointly and thus achieve economies of scale. There are many instances, particularly in the north of central Italy and among medium-sized towns, of a commune deciding to spend more than it receives from the region.

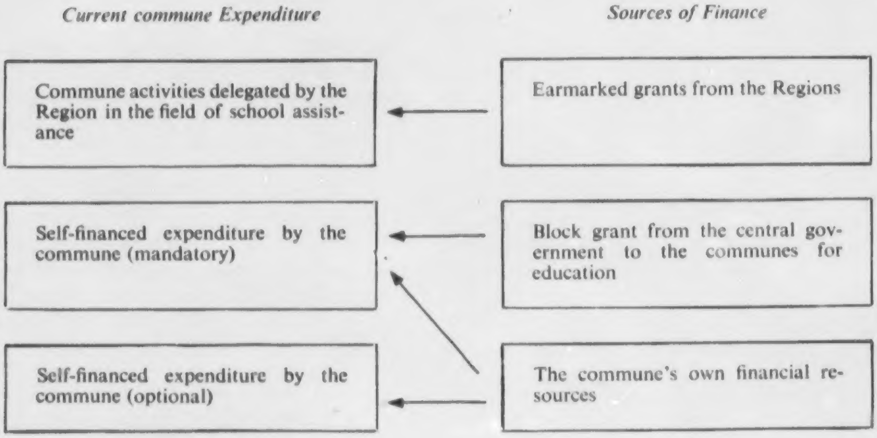
Self-financing of communal expenditure

As we have seen, the communes have been playing an increasing part, particularly after the emergence of the Regions, in educational policy and financing. The pattern their financial intervention takes is shown in Table 2.

In addition to the financial instruments already described there are expenditures that are borne directly by the communes out of their own revenues. As we have seen, communes are required by law to provide a set of services for primary education and expenditure on these is mandatory. But because their interest in education, particularly primary education, is growing rapidly, the communes are increasingly tending to provide a whole range of educational services in fields in which their intervention is, in law, optional. These optional expenditures are being used particularly to extend school activity into the afternoon (in state schools the day officially ends at 12.30) by providing for auxiliary staff and school meals.

Lastly in this connection it must be said that the communes are nearly always in deficit in the present period of financial crisis. When its budget is in deficit on

Table 2. **The part played by the communes in Educational Policy and Financing**


Current commune Expenditure
Sources of Finance
Commune activities delegated by the Region in the field of school assistance
Earmarked grants from the Regions
Self-financed expenditure by the commune (mandatory)
Block grant from the central government to the communes for education
Self-financed expenditure by the commune (optional)
The commune's own financial resources

current account, a commune is not free to act: in such cases optional expenditures have to be authorised by the supervisory regional authorities. Thus programmes planned by the communes have often to be cancelled or cut back. Nevertheless, despite the financial crisis, the communes are tending to spend more on education.

Table 3 illustrates this trend in terms of the impact of education, as a percentage, upon communal expenditure.

Table 3. **Current expenditures by communes; functional classification**

Billion lire

	1970		1975	
	Value	%	Value	%
General administration	598.0	24.2	1 028.6	18.5
Internal security	121.2	4.9	233.0	4.2
Education and culture	294.8	11.9	739.0	13.3
Social work	679.2	27.5	1 376.2	24.8
Economic and housing work	449.0	18.2	1 079.7	19.5
Unattributable, charges, *of which:*	327.4	13.3	1 092.7	19.7
— advance interest	86.0		360.5	
— interest on short-term loans	181.8		431.9	
Total	2 740.4	100	5 549.6	100

Expenditure on capital account

Responsibility for constructing school buildings lies with the communes. Many factors (internal migration, town planning, educational expansion, new social and cultural objectives) have contributed during the last 25 years to increase the school building construction and renovation requirement well beyond the increase in the resources available to the communes. By consequence, the central government has gradually increased its financial role in the matter of school building, it being much easier for the State than a commune to invoke the financial instrument normally associated with investment expenditure, namely the public loan in its various forms (particularly as bonds).

Central government assistance to the communes first took the form of concessionary loans and contributions to depreciation allowances, but it gradually became necessary to provide direct finance for building work (1967). In 1972 the Regions were set up and were recognised as competent to legislate on matters of school building. The central government has however remained responsible for providing funds for this purpose (categorial grants) and for defining architectural standards consonant with the teaching aims of the school.

Following the new allocation of responsibilities, a school building plan was launched in 1975 in which all three levels of government (Central, Regional, communal) were involved. The financing now provided fully covers the charges to the commune for design, equipment, purchase of land, and foreseeable increments due to increased building costs.

This financial support takes the form, not of a direct grant to the commune every time it builds a school, but as a subvention for a three-year school building programme prepared by the Region on the basis of requests from the commune. The funds for this are allocated by the central government to the Regions on the basis of :

i) population of school age;
ii) number of school places unavailable or educationally sub-standard;
iii) school attendance; and
iv) local economic conditions.

To summarise the procedure: central government transfers funds to the Regions; the Regions draw up plans for the new schools and then make funds available to the communes to cover the costs of building them. The plans may not, however, cover all local requirements so some communes use their own funds to build schools, while a great many rent premises.

There is room for discussion as to whether this procedure is preferable as a financial instrument to a faster, less cumbersome system such as paying funds directly to the communes to be spent at their entire discretion. The first, more authoritarian method, is perhaps more suited for the communes in the under-developed areas, and the second for those in the more developed parts of the country. Planning as at present also has the disadvantage of involving a rather lengthy approval and implementation procedure.

Chapter V

THE DISTRIBUTION OF CURRENT EXPENDITURE ON PRIMARY EDUCATION AMONG THE THREE LEVELS OF GOVERNMENT AND OTHER STATISTICAL INDICATORS

So far we have described the administrative arrangements and procedures for financing primary education. It may now be helpful to provide a composite picture of the dimensions and statistical data involved.

The most important figure to be worked out is the percentage distribution of overall expenditure on primary education among the three levels of government. For Regional expenditure estimates had to be used since data are available only for 15 of the 20 Regions, whereas figures were taken directly for central government and the communes. The data for the communes, however, make no distinction between primary and other types of education after 1972; it is therefore necessary to project their expenditure to 1975 (the year chosen for the analysis), assuming that the rate of increase in expenditure on primary education is the same as for the other educational levels.

As well as the percentages, absolute figures are given. It was felt more useful to show such data in the form of average cost per pupil, since this indicator can also be used in international comparisons. The other indicators and data provided here are :

- the incidence of staff expenditure on total current expenditure;
- primary teacher remuneration at beginning and end of career;

the trend of the incidence of educational expenditure in the total budget of the various bodies responsible for schools;

- the trend of the volume of educational expenditure in Italy, its distribution among levels of government, educational expenditure in relation to national income, and average per capita expenditure.

a) Distribution of the average cost per pupil in primary education (current expenditure only) among the various levels of government 1975

Absolute figures and per cent

	Lire	%
Central government	275 800	80.8
Regions	9 318	2.7
Communes	56 406	16.5
Total	341 524	100.0

The data refer to expenditure items contained in the education budgets of the three bodies. Transfers between Regions and communes have been disregarded to avoid double counting.

As can be observed, expenditure controlled and managed at local level amounts to 19 per cent while the central government controls and manages 81 per cent.

As regards sources of financing, it should be borne in mind that the Regions and communes rely for the greater part of their revenue upon transfers from central government while the lesser part comes from taxes levied by local authorities. Broadly, then, central government can be reckoned to control over 90 per cent of the sources of financing for primary education.

b) *Staff expenditure as a percentage of total current expenditure*

It has been observed that in Italy the performance of the educational service suffers from a number of defects in the organisation of its administration and the system of decision-taking in matters of expenditure. This results in failure to bring about an optimal convergence of the various educational inputs, together with an inordinate rise in expenditure on staff (teachers, caretakers, etc.) to the detriment of expenditure on goods and services or transfers to the private sector. To facilitate international comparisons on this point, the following is an estimate of the incidence of staff on total expenditure: in 1975, out of every 100 lire of current expenditure for primary education (central government, Regions and communes) expenditure on staff (administrative, teaching, caretakers, etc.) accounted for some 89 per cent.

c) **Gross annual remuneration of primary teachers (1977)**

At beginning of career	4 041 092 Lire
At end of career (after 40 years' service)	6 824 578 Lire

d) *The trend of the percentage incidence* of expenditure on education (all forms) on total expenditure at the various levels of government has been as follows :

	1970	1973	1975
	Percentages		
Central government	19.2	16.0	13.3
Regions	(*)	5.5	6.4
Communes	11.9	13.2	13.3

* The Regions began in 1972.

It can be seen here that education is becoming less predominant in the central government budget, but more so in those of its local authorities.

e) Lastly, Table 4 shows *the trend of educational expenditure and its distribution* among levels of government, together with two composite indicators: the ratio of such expenditure to incomes, and the average expenditure per head of population.

Table 4. **Public expenditure on education and culture 1970-1976**

Billion lire

Year	Public expenditure[a]					Percentage incidence on net national income at market prices	Average public expenditure per head of population (Lire)
	Central Government	Regions[b]	Provinces[c]	Communes	Total		
1970							
Amount	2 680.3	25.2	69.0	294.8	3 069.3	5.8	57 381
%	87.3	0.8	2.3	9.6	100		
1973							
Amount	3 730.0	44.2	127.8	526.2	4 428.2	5.9	81 034
%	84.2	1.0	2.9	11.9	100		
1976[d]							
Amount	6 262.4	370.0[e]	185.2	835.2	7 652.7	6.0	136 621
%	81.8	4.9	2.4	10.9	100		

Notes:

a) Central government expenditures are net of grants to local bodies for public education within the jurisdiction of the communes and the Provinces; for local bodies, the figures show current expenditures only.

b) After 1974 the figures include grants to the Regions with "ordinary status" and the expenditures of the autonomous Provinces.

c) From 1974, expenditures of autonomous Provinces are excluded.

d) Provisional.

e) Estimate.

Chapter VI

MAJOR POLICY GOALS

MAJOR POLICY GOALS AND THE INSTITUTIONAL FRAMEWORK

The three major policy goals that have been identified on the basis of the various country surveys—equalization, local autonomy, and parental choice of schools—appear to be closely related. In the specific context of Italian social history, some preliminary comments are necessary in order to clarify the principal aspects of the relationships between these objectives.

As has already been pointed out, the Italian system for financing education is characterized by a relatively elevated degree of centralization and direct state control over the major features of school spending. This is still the case notwithstanding recent legislative innovations which have attributed more autonomy in decision making to the individual school councils.

To explain, at least partially, the causes at the root of the development of such a centralized system one must mention two sets of factors. It must be remembered that since the institution of an Italian State and until relatively recent times, the society's general conditions were characterized by a poor level of socioeconomic development and by a great internal cultural heterogeneity.

In this context the State as such had to assume three fundamental objectives: the development of education as a right of the entire population (whereas local governments often proved insensible to this kind of problem); the formation of a national culture which could constitute one of the bases of the society's unity; the establishment of the conditions of equal educational opportunities (given the great disparities in the conditions of different areas of the country).

It has also been pointed out that the Italian state makes little provision for the maintenance and development of non state-run schooling. The Constitution does not allow for direct financing of private education. The source of this emphasis on the control of education must be traced back to the fact that the Italian state was originally established in counterposition to the large-scale influence exercised by the *Catholic* Church and by the clergy. The educational system, was, *then*, envisaged as a means of combating clerical influence over society. This original approach has, of course, undergone many profound charges. Nonetheless, the fact remains that the renewal of Church-run schooling has always been considered as representing the main alternative to tight state control over education.

EQUALITY AND EDUCATIONAL PROCESSES

The Constitution explicitly establishes that it is the State's duty to remove all obstacles that impede full equality amongst citizens and thus to guarantee equal educational opportunities for all.

However, real equality has as yet not been attained. The persistence of significant inequalities related to the socioeconomic conditions of different areas of the country can be considered with respect to the quality of educational processes and the distribution of resources.

Full scholarization has been attained. In fact, the progressive contraction of the number of children enrolled in primary education, which began in 1971-72, is due to demographic factors. However, as is well known, an equally realized presence in the school system is not in itself a sufficient guarantee of an equally positive participation in educational processes.

The first index of inequality is given by the proportion of children within each grade who are repeating the years. Table 5 presents the relevant data.

In the first place, one notes that the number of "repeaters" is uniformly higher in the southern regions than in the rest of the country. For the first three years of primary schooling the most elevated index is to be found in the regions of Calabria, Sicily and Campania and for the following two years in Basilicata, Calabria and Sicily. Furthermore, the only regions where in the past years these indices have registered an increase are southern.

Table 5. **Pupils repeating grades in elementary school by Regions**

Region	First year		Second year		Third year		Fourth year		Fifth year	
	1973	1974	1973	1974	1973	1974	1973	1974	1973	1974
Piemonte	4.6	3.9	4.3	3.9	3.7	2.8	3.4	2.7	2.6	2.1
Valle d'Aosta	6.6	6.3	5.9	6.3	6.6	6.3	6.1	5.0	4.8	3.6
Lombardia	3.8	2.8	3.5	2.8	3.0	2.1	3.0	2.0	2.2	1.4
Trentino A. A.	3.4	3.2	4.1	3.6	2.7	2.6	3.2	2.7	2.9	2.4
Veneto	3.6	2.9	3.5	3.0	2.7	2.0	2.7	2.1	2.0	1.7
Friuli V. G.	3.1	2.9	4.0	3.3	3.6	3.3	3.3	2.9	3.3	2.6
Liguria	3.8	3.1	3.3	2.7	3.1	2.3	3.1	2.7	2.3	1.7
Emilia Romagna	3.1	2.5	2.9	2.3	2.2	1.7	1.9	1.3	1.6	1.2
Toscana	3.3	2.4	2.9	2.7	2.3	1.7	2.4	1.7	2.0	1.4
Umbria	4.0	2.7	5.1	4.3	3.7	2.3	3.6	2.4	3.7	2.7
Marche	3.3	2.8	3.9	3.7	3.5	2.7	3.3	2.3	2.9	2.1
Lazio	4.7	3.7	3.9	3.4	3.7	2.6	3.5	2.7	3.0	2.1
Abruzzi	7.2	5.7	5.8	5.0	5.4	4.5	5.6	3.9	5.5	2.6
Molise	11.1	9.7	9.5	7.2	8.2	5.6	6.2	4.7	5.9	4.4
Campania	13.5	12.3	9.1	8.3	7.7	6.5	6.6	6.1	4.1	3.2
Puglia	9.6	8.1	7.3	6.5	5.6	4.4	4.6	4.3	3.2	2.8
Basilicata	8.5	6.9	7.7	6.7	5.4	4.1	4.6	3.8	4.1	3.3
Calabria	17.2	15.5	10.4	10.0	10.3	8.6	8.6	7.0	5.0	2.1
Sicilia	17.0	15.6	10.2	9.9	9.9	8.4	8.7	7.7	5.9	4.9
Sardegna	9.4	7.9	8.2	6.9	6.9	5.6	6.7	5.1	5.7	4.7
North	3.8	3.0	3.6	3.0	3.0	2.3	3.0	2.2	2.2	1.7
Centre	4.1	3.1	3.7	3.3	3.3	2.3	3.2	2.3	2.7	2.0
South	13.2	11.8	8.9	8.2	7.9	6.5	6.7	5.9	4.6	3.8
Italy	7.7	6.6	5.8	5.2	5.1	4.1	4.6	3.7	3.3	2.6

In the second place the proportion of children repeating the school year is inversely related to the grade. In other words, progressively less children are repeaters from the first grade to the fifth. Moreover, it has been shown that children who are forced to repeat a grade are more likely than others to repeat subsequent grades. If one examines the progression of an elementary school cohort (Table 6) one notes that for each grade the number of "repeaters" is higher in the southern regions. These regions, which are the most depressed areas of the country, thus appear to constitute "special populations" for whom access to full equality in education appears to be systematically more difficult than for those elsewhere.

Another index of differential access to equal educational opportunities can be represented by the number of students who pass from primary to the first level of secondary schooling, which, just as primary education, is compulsory and should therefore encompass all school-age children.

As can be seen from Table 6, the percentage of children who passed the elementary school final exam was only 61.7 in southern regions as compared with 80.8 per cent in the central and 79.8 per cent in the northern ones. It should be noted that there is not one nationally defined version of the elementary school final exam. Furthermore, sufficient information is not available to permit the evaluation of specific factors which may contribute to the differences in success-rates (such as teachers' standards, prevalence of positive or negative cultural attitudes to schooling). Notwithstanding the *causes* which may be at the root of these differences, the fact remains that children in the south have fewer chances than those in other regions of successfully completing their elementary school education.

Table 6. **Rate of success of a cohort of elementary school pupils (percentage which reaches the grades indicated without repeating any one)**

Cohort: 1968-69, first grade = 100

Region	1st grade	2nd grade	3nd grade	4th grade	5th grade	% which passed the final exam
	1968-69	1969-70	1970-71	1971-72	1972-73	1973
Piemonte	100.0	91.4	84.9	81.2	78.4	76.8
Valle d'Aosta	100.0	90.9	82.5	76.7	72.0	69.4
Lombardia	100.0	92.4	86.3	83.1	80.6	79.5
Trentino A. A.	100.0	93.1	86.5	83.5	80.8	73.9
Veneto	100.0	93.0	87.4	84.3	82.0	80.6
Friuli V. G.	100.0	94.1	88.2	84.8	82.0	79.9
Liguria	100.0	93.5	88.6	85.3	82.7	81.3
Emilia Romagna	100.0	93.9	88.8	86.4	84.8	83.8
Toscana	100.0	93.9	89.4	86.7	84.6	83.4
Umbria	100.0	93.6	87.0	83.3	80.3	78.1
Marche	100.0	93.9	87.5	83.8	81.0	79.3
Lazio	100.0	92.8	88.1	84.8	81.8	80.1
Abruzzi	100.0	89.3	82.0	76.8	72.5	70.6
Molise	100.0	86.7	78.5	72.4	67.9	64.9
Campania	100.0	83.9	74.3	68.4	63.9	61.9
Puglia	100.0	88.3	79.9	79.4	75.6	73.5
Basilicata	100.0	87.2	77.3	72.4	69.1	66.8
Calabria	100.0	79.4	68.4	61.5	56.2	55.0
Sicilia	100.0	81.4	71.6	64.8	59.2	56.3
Sardegna	100.0	86.9	76.7	70.9	66.1	63.0
North	100.0	92.7	86.9	83.7	81.2	79.8
Centre	100.0	93.3	88.3	85.1	82.4	80.8
South	100.0	84.2	74.7	68.7	64.1	61.7
Italy	100.0	89.0	81.6	77.1	73.6	71.7

Source: CENSIS.

Notwithstanding the important changes which have taken place in the past fifteen years, the same trends tending to demonstrate the relative disadvantages of school populations in southern Regions can be observed as far as the passage from elementary to secondary schooling is concerned. Thus, less than all eligible children enroll in the first level secondary schools only in these Regions (Table 7).

From the same table, one can see that until 1973-74 (the last year for which data are available) systematically fewer girls compared to boys, on successfully ending *their* primary education, were enrolled in secondary schools; and, furthermore, the difference between girls and boys was persistently greater in the south than in the rest of the country. As far as sexual differenciation of educational chances is concerned it is interesting to note that the girls' relatively minor opportunities of continuing their education is *not* correlated with their scholastic performance : in fact, girls generally tend to do better in school than boys.

Although on a macrosocial scale the primary dividing line in educational opportunities appears to be regional and then sexual, in fact there are profound differences even *within* all parts of the country (including the richer northern areas) which seem to be closely correlated with social class and cultural background.

Table 7. **Index of passages from elementary school to lower secondary school for geographical area**

Circoscrizione territoriale	1961-62			1973-74			1974-75	1975-76	1976-77
	M	F	MF	M	F	MF	MF	MF	MF
North	83.1	69.3	76.3	100.4	98.7	99.5	100.5	101.5	101.4
Centre	89.6	75.4	82.8	101.1	98.6	99.9	100.9	101.4	101.1
South	88.3	71.6	80.5	95.2	89.7	89.7	94.1	96.1	97.3
Italy	86.4	71.3	79.1	98.5	95.1	96.8	98.1	99.4	99.8

Source: CENSIS.
* The values which surpass 100 are affected by immigration.

It is worth mentioning four further factors which affect educational chances. Firstly, several research projects have observed that children of immigrant families have greater difficulties in performing at school: they are more likely to have to repeat grades; to drop-out early; to forego the possibility of continuing their education; and to be compelled to follow remedial classes which, instead of reintegrating them into mainline schooling, in fact, *have functioned* as a parallel educational circuit[1].

Secondly, children living in rural areas, in isolated home units, are less likely than children coming from urban backgrounds to succeed in school. Their major difficulties become evident at a relatively early stage in the educational process: in fact, some studies based on Basil Bernstein's hypotheses have shown that such difficulties develop at the beginning when the children coming from rural areas are faced with the problem of acquiring the linguistic code of school-culture which is more "complex" than that which characterizes their home interactions.

Thirdly, school performance appears to be directly linked to social class. An example of the connection between the two variables is that in a sample of people between 14 and 25 years of age, four times as many persons coming from families with incomes under 100 000 lire a month had repeated grades in elementary school (or had abandoned such schooling) as compared with those whose families' monthly incomes averaged more than 500 000 lire per month (Table 8).

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[1] As we shall see further on, they were abolished in 1973 for this reason.

Table 8. Dispersion among young people between 14 and 25 years of age according to family income 1971

Percentages

	Declared family income (Thousands of lire)				
	up to 100	100-150	150-250	250-500	more than 500
Repeated:					
— elementary school	24.2	17.5	12.5	7.0	6.8
— lower secondary school	15.0	16.8	17.3	14.2	13.6
Abandoned school:					
— before 10 years of age	4.1	3.1	1.7	0.8	—
— between 10 and 13 years of age	51.4	37.0	24.1	16.7	13.3

Source: ISVET.

Lastly, children with special problems, such as physical and/or psychological handicaps, have to deal with particular difficulties in schooling which hinder their attainment of real equality in education.

EQUALITY AND THE DISTRIBUTION OF SERVICES AND OF RESOURCES

The inequalities mentioned above are partially linked to discriminating social and cultural factors which *de facto* operate and affect achievement and participation in primary education. However, inequality is also connected to differential distribution of resources. Three kinds of resources can be considered as examples of distribution problems: school facilities; teaching personnel; assistance for school children.

The large-scale processes of urbanization which occurred during the 1950s and 1960s were generally not accompanied by an equivalent level of development of infrastructures in urban areas; thus, most large cities in Italy still face problems such as housing shortage, insufficient medical facilities, and insufficient school buldings. This has meant that the same class-room facilities have been used for two or three "turns" of schooling.

On the other hand, the de-population of rural areas coupled with a legislative system which guarantees that each group of students is entitled to schooling which the State must provide has entailed relevant phenomena in terms both of underutilization of schooling facilities and of accumulation of several grades in one class-room (village schools composed of only one class-room frequented by pupils of different grades which will be referred to as "cumulated classes").

On an overall basis (considering rural and urban areas together), at elementary school level the number of pupils per school and per class has increased steadily (Table 9) and the southern regions have constantly maintained the highest ratios. As one can see from the number of students per class, *in itself* this process of concentration has not produced a particular over-loading of school facilities. However, these data must be considered in relation to the number of pupils in "cumulated classes" and in double or triple "turns".

As far as the first issue is concerned, the number of students in "cumulated classes" has diminished constantly in the past fifteen years; nonetheless they still accounted for 5.9 per cent of the total school population in 1974 (Table 10). The percentage of all elementary school children in double or triple turns has also diminished; nonetheless it is still at a noticeably high level which is definitely greater

Table 9. **Students per school and students per class according to geographical area**

	1969-70		1973-74		1974-75		1975-76	
	Students per school	Students per class	Students per school	Students per class	Students per school	Students per class	Students per school	Students per class
North	119	17.5	142	17.9	144	17.6	144.4	17.3
Centre	95	14.4	121	16.1	125.3	16.2	126.6	16.2
South	149	17.8	152	17.4	152	17.2	153.0	17.1
Italy	124	16.8	142	17.4	143.4	17.2	144.2	17.0

Source: CENSIS.

Table 10. **Students in "cumulated classes"**

Year	Total	% Students in "cumulated classes" on total number of students
1966	489 901	11.8
1970	461 246	10.5
1971	428 075	9.5
1972	385 767	8.5
1973	317 855	6.4
1974	271 131	5.9

Source: CENSIS.

in the south than in the other parts of the country. Thus, in 1975, the percentage of children enrolled in such classes was 11.9 per cent on a nation-wide basis but in some southern regions it reached peaks such as 33.3 per cent (Sardinia) and 27.5 per cent (Sicily).

Furthermore a significant proportion of schooling takes place in "precarious" facilities[2]; and, as in the case of double and triple turns, on the whole the south is in worse condition than the other parts of the country (Table 11). Notwithstanding that throughout the early 1970s a constant reduction in the proportion of "precarious" schooling facilities was registered on a national scale, between 1974 and 1975 this trend was inverted; whereas in 1974 13.1 per cent of elementary schooling was located in such facilities, in 1975 the relevant percentage had risen to 14.4.

This increase was accompanied by a slight, less than proportional reduction in the incidence of students in double and triple turns (from 12.8 per cent in 1974 to 11.9 per cent in 1975).

Taking a southern region (Calabria) and a northern one (Lombardy) as examples of the effect of territorial location in the differentiation of these two factors, one obtains the following prospect:

	% of class-rooms in "precarious" facilities	% of pupils in double or triple turns
Calabria	33.3	14.3
Lombardy	7.5	1.7
Italy	14.4	11.9

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[2] The term "precarious" does not relate to the condition of the buildings but to the fact that these facilities are generally rented and are not a stable part of the school's properties.

Table 11. **Elementary school class-rooms in rented or unsuitable facilities and students in double or triple turns, 1974-75**

Per region

Region	% class-rooms in rented or unsuitable facilities	Students in double or triple turns
Piemonte	8.6	6.7
Valle d'Aosta	6.6	—
Lombardia	7.5	1.7
Trentino A. A.	8.2	5.4
Veneto	8.2	5.1
Friuli V. G.	7.1	4.4
Liguria	8.0	7.9
Emilia Romagna	10.1	5.4
Toscana	12.1	4.5
Umbria	15.7	0.4
Marche	13.3	3.0
Lazio	18.4	17.1
Abruzzo	16.2	3.1
Molise	21.5	0.9
Campania	25.9	19.1
Puglia	14.7	22.5
Basilicata	17.3	4.3
Calabria	33.3	14.3
Sicilia	18.4	27.5
Sardegna	13.0	33.3
Italia	14.4	11.9

Source: ISTAT.

Censis has estimated that the "places per pupil" necessary in 1973-74 amounted to 928 301 units (1 067 692 in 1965-66)[3].

As has already been mentioned, State aid to Communes began with "soft" loans, and was extended to completely financing building projects in 1967. It is interesting to note that the concrete realization of the projects provided for by the law passed in 1967 varied in relation to the geographic or area: thus, by December 1973 the percentage of funds spent for buildings actually achieved on the total allocation amounted to 48.17 per cent in the north and only 21.9 per cent in the south (Table 12).

The successive law (412, 1975) that, as has been mentioned, attributed integral responsibility for financing primary education building to the central government on the basis of construction plans drawn up by the Regions, allocated a sum total of 775 200 million lire for 1975-77 and of 1 026 billion lire for the following three-year period. As Table 13 shows, this law allowed for a positive discrimination in favour of the southern regions in the allocation of funds; such that on the total sum they received 47.5 per cent in the first period and 48.2 per cent in the second.

It is important to note that in Italy's general economic conditions, the absence of ad hoc mechanisms for dealing with inflation causes a relevant decrease in real terms in the sums allocated and thus a reduction in the abilities of the local authorities to deal with the demand for new schooling facilities. For example, in 1974 it was estimated that 73 850 class-rooms were necessary just to abolish double and triple turns and the funds allocated in 1975 were considered sufficient to build 37 000, thus covering half of the estimated need. However, inflationary effects reduced spending capacity in real terms so that in 1976 the same sum could build only 21 120 classrooms, i.e. 28 per cent of the estimate.

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[3] According to the most recent legislative measures, a "place per pupil" is taken as meaning a composite space articulated into a complex of spatial units with specific functions (normal and "special" teaching; collective activities; practical exercises, etc.).

Table 12. **State application of law 641 (28-7-1967) on December 31st, 1973**

	Facilities							
	Completed		Commissioned but not completed		To be commissioned		Total	
	Worth in millions of lire	% of total	Worth	% of total	Worth	% of total	Funds allocated	%
North	128 114.4	48.17	96 155.5	36.16	41 645.4	15.67	265 916.0	100.0
Centre	37 136.5	28.51	44 987.6	34.54	48 123.3	36.95	130 247.6	100.0
South (without islands)	63 023.6	22.38	95 143.1	33.78	123 462.3	43.84	281 629.4	100.0
Islands	29 875.0	20.82	61 725.0	43.00	519 141.5	36.18	143 514.9	100.0
Italy	258 149.5	31.43	289 611.1	36.35	264 547.8	32.21	821 308.4	100.0

Source: Ministry of Education.

Table 13. **Distribution of funds among the Regions for the first (1975-77) and second (1978-80) three-year period**

Region	Absolute values	%	Absolute values	%
Piemonte	49 414 000 000	6.4	59 286 150 000	5.7
Valle d'Aosta	1 094 000 000	0.1	1 221 660 000	0.1
Lombardia	99 005 000 000	12.8	127 850 580 000	12.5
Trentino A. A.	9 903 000 000	1.3	12 975 930 000	1.3
Veneto	50 880 000 000	6.6	62 035 380 000	6.0
Friuli V.G.	11 324 000 000	1.5	27 908 730 000	2.7
Liguria	18 312 000 000	2.4	21 477 060 000	2.2
Emilia Romagna	38 475 000 000	5.0	47 756 610 000	4.6
Toscana	38 257 000 000	4.9	48 065 490 000	4.7
Umbria	9 217 000 000	1.2	10 690 020 000	1.0
Marche	16 597 000 000	2.1	21 588 930 000	2.2
Lazio	64 322 000 000	8.3	90 631 530 000	8.8
Abruzzi	19 370 000 000	2.5	19 873 260 000	1.9
Molise	4 296 000 000	0.5	5 077 710 000	0.5
Campania	118 857 000 000	15.3	130 906 710 000	12.5
Puglia	68 528 000 000	8.8	118 290 150 000	11.5
Basilicata	11 238 000 000	1.4	12 796 740 000	1.3
Calabria	40 245 000 000	5.2	44 428 230 000	4.3
Sicilia	79 099 000 000	10.2	109 944 450 000	10.7
Sardegna	26 767 000 000	3.5	53 194 680 000	5.2
North	278 407 000 000	35.9	360 512 100 000	35.1
Centre	128 393 000 000	16.5	170 975 970 000	16.7
South	368 400 000 000	47.5	494 511 930 000	48.2
Italy	775 200 000 000	100.0	1 026 000 000 000	100.0

Source: CENSIS.

Overall, the demand for new buildings appears to be unequally distributed and reflects the disadvantages of the southern regions and of the large urban centres.

This is important not only because it indicates differential access to educational structures but also because a capacity for full utilization of school facilities is indispensable for the realization of educational development programmes (as will be discussed further on in greater detail).

The existing mechanisms which centralize all relevant decision-making processes in the Ministry of Education in themselves ensure a balanced distribution of teaching personnel within the country without disparities between rich and poor Regions. Furthermore, the State awards a greater amount of resources for teaching in rural and mountainous areas so as to ensure an equivalent qualitative level.

Although the system is based on juridically egalitarian principles, in fact the poorer and more inhospitable areas fare worse than the others. This is because the best teaching personnel tends to abandon them as quickly as possible and teachers generally commute to these areas. Consequently there is high turnover; lack of pedagogical continuity; absenteeism; and, furthermore, because they do not reside *in loco*, teachers are frequently unavailable for extracurricular and social activities.

At present there is a slight career advantage for those teaching in mountain areas but this incentive has not proved very effective; it has been suggested that paying a higher salary to those who reside there for at least 3 to 4 years might produce greater benefits.

As far as the provision of aid is concerned (see Table 14), as has already been explained, financial and administrative responsibility has passed from the Ministry of Education to the Regional governments. On the whole, since 1975 they have maintained expenditure for such services at a steady level, thus in fact—again, due to the effects of inflation—determining a reduction in real terms. In a few cases, particularly in southern regions, the funds allocated have been increased.

Table 14. **Estimate of expenditure for school assistance**

Transportation	Refectory	Scholarships	Text books	Total
13 347.6	154 970.8			168 318.4
35 675.9	86 312.9		23 170.0	145 158.7
19 116.1	14 132.9	4 419.1	30 450.6	68 118.7
3 249.6	12 362.7	9 349.9	14 793.6	39 755.8
71 389.2	267 779.2	13 769.0	68 414.2	421 351.6

Considering the entire school system, the Regions' intervention in this sector has concentrated on furnishing meal services (expenditure for this purpose amounts to 267 billion lire and concerns 2 100 000 students); transportation (71 billion) and text books (68 billion). Furthermore 14 billion lire are attributed for scholarships. For elementary schools the corresponding figures are: 86 billions lire for refectories; 36 billion lire for transportation; 23 billions for textbooks, which make a total expenditure of 145 billion lire. All elementary school children receive textbooks free; as far as the other services are concerned:

- 12.4 per cent of elementary school students use means of transport provided for by the school system (44.7 per cent if one allows for those who walk to school). More than half of the children who use school transportation have not had to sustain additional costs;
- 14.3 per cent use refectory services regularly, 2.3 per cent occasionally and 27.4 per cent of the total number have had to pay particular supplements;
- 68.1 per cent have been visited by a school doctor;
- 2.8 per cent frequent special compensatory education classes.

The kinds of problems that have emerged thus far with respect to equalizing opportunities in primary education pertain to two spheres: achievement and access to structures and services.

As the preceding discussion has shown, while all children participate in primary education, these two spheres are strongly affected by geographical and socioeconomic factors.

In response to the selective mechanisms that still operate, measures have been elaborated tending to:

- *favour* the southern regions, and those areas of the country where educational difficulties are more marked, in the distribution of resources;
- *better* the quality of primary education as a whole.

As far as the first point is concerned, as has been mentioned above, provisions have been made to discriminate in favour of these areas in the attribution of funds for building school facilities. Furthermore, since the projected development of the educational system entails the allocation of additional resources those areas have also been given advantages in this respect.

The most important objective elaborated for dealing both with the general problem of the quality of education and of culturally disadvantaged social groups is the extension of school hours until they cover a full day. This has been attained either by the experimentation of full-day integrated schooling (i.e. by remodelling the school schedule on a full-day basis so as to include new activities) or by establishing after-school classes.

The first kind of experimentation is bound to the possibility of using a school's facilities all day for each class: thus, there can be no double or triple turns and there must be a refectory service. Obviously, then, structural problems impinge directly on the possibility of developing the quality of education.

Moreover, this kind of experimentation requires:

- additional resources (for specific teaching materials, teachers with competence in particular fields, etc.);
- approval of educational programmes by the Ministry of Education.

The funds for such activities are distributed by the Ministry of Education to the Provveditorati, who distribute them amongst the schools taking into account criteria established by the Ministry.

In recent years, the Ministry has tended to relate the experimentation of full day schooling to compensatory educational measures. Thus, on a general level, it has instructed the Provveditorati to allocate the relevant funds to the schools according to the following proportions:

- 75 per cent to be *equally* distributed amongst the schools in relation to the number of classes;
- 25 per cent to be *unequally* distributed, taking into account various indicators of educational needs.

Furthermore, as of 1976 the Ministry has established that :

- an additional 10 per cent of the funds available be distributed in all provinces covered by the regulations of the particular laws for southern and depressed regions and in all the major urban areas;
- in evaluating the schools' needs the following variables be taken into account:
    - *a*) indices of pupils repeating grades and early school leavers on the total enrolment;
    - *b*) pupils per class ratios;
    - *c*) decentralized (or overcrowded) schools;
    - *d*) facilities and funds that the schools already dispose of;
    - *e*) compensatory activities for disadvantaged children;
    - *f*) previous experimental activities.

Table 15. **Schools involved in experimentation**

	1972-73					1973-74				
	Schools involved			Classes		Schools involved			Classes	
	Total	All classes	Only some classes	Total	Experimental	Total	All classes	Only some classes	Total	Experimental
North	301	176	125	3 973	2 252	415	235	180	5 980	3 504
Centre	174	59	115	2 618	1 209	278	95	183	4 985	2 065
South	278	45	233	6 005	2 239	353	84	269	7 721	2 715
Italy	753	280	473	12 596	6 000	1 046	414	632	18 686	8 284

Source: Ministry of Education.

In fact, as Table 15 shows, the distribution of experiments of full day school still favoured the north in 1973-74. Thus:

Table 16. **Experimental and non-experimental elementary school classes, 1973-74**

	Total number of classes %	Classes involved in experimentation %
North	42.3	32.0
Centre	24.9	26.7
South	32.0	41.3
Italy	100.0	100.0

Moreover as can be seen from Table 17, whereas the demand for experimentation appears to be fairly equally distributed, the projects approved still tend to favour the more developed areas of the country.

Table 17. **Percentage distribution of requests for authorization and authorization conceded for experimental projects in elementary schools, 1977-78**

	Authorizations requested %	Authorizations conceded %
North	37.4	54.2
Centre	30.1	16.7
South	32.5	29.1
Italy	100.0	100.0

PARENTAL CHOICE OF SCHOOL AND PROGRAMMES FOR SPECIAL GROUPS

As has already been mentioned, the Italian State does not attribute funds for private schooling as such. The only significant exception to this rule is given by the fact that the Regions, in providing services to school children must do so indifferently of the kind (state/non-state) of school concerned.

Nevertheless, private schools account for more than 6 per cent (6.8) of school children. Private schooling at elementary level is more relevant in large urban centres than elsewhere and involves slightly more girls than boys (the percentage of children in private schools on the total school population is 6.3 for boys and 7.3 for girls).

The "attraction" of private schooling is probably due to considerations concerning the quality of educational processes and parental desire to control these; thus, the concentration in large urban centres could be explained by reference both to the structural difficulties which schools encounter in these areas (overcrowding, etc.) and to the fact that there are more people who can afford to pay for private education, since wealth is generally greater in large cities.

Over the past decade there have been two kinds of programmes for elementary school children with special needs:

— "differential classes" for children manifesting disturbances in the development of their character or intelligence not connected to physical disabilities;
— "special schools" for children with specific disabilities (such as the blind or the deaf and dumb).

The "differential classes" were originally established to provide remedial teaching for children with particular learning difficulties or "character disturbances". The objective was, therefore, to deal with their special needs and favour their re-integration, as quickly as possible, into normal classes. In fact, various studies have shown the pervasive influence of culturally discriminating mechanisms in assigning children to such classes (thus, heavily populated by pupils coming from poorer, more often immigrant or southern and generally socially disadvantaged families). A debate developed over the real effects of these classes, which focussed primarily on the following points:

— the difficulty of defining and identifying "deviant" traits justifying the assignment of pupils to separate classes;
— the relationship between the development of such traits and the organisation and contents of schooling;
— the efficiency and educational value of compensatory methods based on separating so-called "normal" and "abnormal" pupils.

Following on this debate, which involved not only differential classes but also the special schools for physically handicapped children, provisions have been made at ministerial level to promote the integration of children with particular problems in normal classes. Attempts in this direction, however, encounter difficulties in the normal teachers' lack of specific skills owing to the shortage of adequate teacher-training programmes.

DECENTRALIZATION AND LOCUS OF CONTROL

As has already been pointed out in analysing the present system for financing primary education, Italy is characterized by a relatively high degree of centralization of decision-making in state agencies (specifically the Ministry of Education). Nonetheless, for those elements that are not centrally-determined, decentralization occurs in two possible directions:

— towards local (Regional and municipal) government;
— towards school councils.

As far as the first kind of decentralization is concerned, notwithstanding the State's efforts at equalization (central government financing of municipalities is inversely correlated with their economic conditions), the disparity in the distribution

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of resources was still relevant in 1971. Thus, the municipalities' capacity to sustain current educational expenditure appeared to be directly related to the Regions' income levels.

Referring to the available data for 1971, the spending per student situation appears to be the following:

	Lire/student	Index numbers	
	1971	1971	1961
Southern (and insular Italy)	21 622	76	67
Italy	28 608	100	100

In the same year, the incidence of state contributions on municipal expenditure for education and culture, was:

	%	Lire/inhabitant (Italy = 100)
Southern Italy	18.0	120
Italy	16.6	100

Furthermore, as one can see from Table 18, municipal expenditure per pupil enrolled in elementary school was much lower in southern regions than in other parts of the country. Thus if the national average is considered as being equal to 100, in 1971 expenditure in the north amounted to 108, in the centre to 142 and in the south to 76.

Table 18. **Municipalities' expenditures for elementary schooling 1971 per student**

	1960	1971
Piemonte	157	103
Valle d'Aosta	167	117
Lombardia	119	113
Trentino A. A.	105	84
Veneto	105	87
Friuli V. G.	128	107
Liguria	109	113
Emilia Romagna	109	133
Toscana	176	193
Umbria	95	99
Marche	128	98
Lazio	114	129
Abruzzi e Molise	114	68
Campania	71	81
Puglia	81	76
Basilicata	119	73
Calabria	57	58
Sicilia	33	84
Sardegna	71	65
Northern Italy	119	108
Central Italy	133	142
Southern Italy	67	76
Italy	100	100

Moreover, municipal spending capacity seems to increase steadfastly in relation to demographic features, but reaches a turning point at the level of 500 000 inhabitants. Very large cities, therefore, seem to be less responsive than others to basic educational needs; however, this fact must be related to the massive financial difficulties which most large municipalities are currently facing.

As far as the second type of decentralization is concerned, in the past few years several measures have been taken to attribute decision-making and administrative powers to the school level. The enactment of the present legislative measures allows for elected bodies (consisting of parents, teachers, administrative personnel) at this level to make decisions concerning the administration (but not the attribution) of funds which the schools receive.

A special research project carried out by Censis on the elections of the school councils has shown that social and geographical factors affect the development of parental participation in school government. In the first place, while women have participated more in meetings than men, they have then spoken less often during them, been less frequently candidates for elected functions and have had much fewer chances of being elected.

Secondly, participation in school councils and in the pre-electoral phases has been strongly influenced by social class.

Thirdly, participation both in formal (electoral) and in informal (speaking during meetings) terms has been greater in the northern than in the southern regions.

Table 19. **Participation in school councils by sex**

	Total	Women	Men
Voted	70.5	71.3	69.6
Participated in at least one meeting	60.5	64.9	55.8
Participated in more than one meeting	32.8	38.8	26.4
Spoke during meeting	26.5	25.2	27.9
Was a candidate	2.0	1.4	2.7
Was elected	1.0	0.2	1.9

Source: CENSIS.

Table 20. **Expenditure for assistance to school children, per Region (lire per inhabitant) 1974**

Region	1974
Piemonte	2 672
Lombardia	1 329
Liguria	2 280
Veneto	1 097
Emilia	1 235
Toscana	1 598
Marche	2 531
Umbria	4 026
Lazio	1 782
Abruzzo	3 099
Molise	4 658
Campania	1 688
Puglia	3 394
Basilicata	5 054
Calabria	3 239

Thus, at a formal, institutional, level there has been a relevant shift in the locus of control in favour of more significant local participation in school government. The application of the relevant legislation, however, is still influenced by sociolcutural factors that differentiate access to participatory structures. Nonetheless, such structures are already beginning to (and probably will do more so in future) demand greater flexibility according to specific needs concerning structures and services (for example, distribution of teaching personnel; possibility of planning special and experimental programmes) which until recently have been administered by the central government.

Chapter VII

FURTHER OBSERVATIONS ON THE PRESENT SITUATION AND FUTURE TENDENCIES

A synthetic image of the present situation and its possible development may be had by considering the following aspects:

— the *continuation* of the state system of government and of financing education;
— the *progressive development* of the process of decentralization;
— the tendencies towards the transformation of the system produced by the growing importance of objectives concerning educational policy expressed by the society.

Notwithstanding the tendencies favouring the decentralization of school government and the downward shift of the locus of control, the educational system is still centralized to a very high degree. One of the main reasons for the continuing concentration of decision-making at state level is that the government of the teaching body is still directly controlled by the centre. Is fact, the Ministry of Education in Italy (as in France) constitutes one of the largest enterprises of the western world, since it administers more than half a million teachers (of whom nearly half are employed in elementary level education). Thus, while the other most relevant sub-heads of the overall educational expenditure are now decentralized, the fact that expenditure for teachers accounts for 90 per cent of the Ministry's budget explains the continuing importance of the State.

Our analysis of the present situation can lead to the following observations.

Historically, the centralized control over the teachers has probably produced positive consequences if compared with a more decentralized system; nonetheless —and while it probably continues to be a mainstay in guaranteeing the standard of education in more disadvantaged areas (the south or small, scattered communities)— this centralization now contrasts with demands emerging from the social sector.

Central control over teachers implies rigid regulation of their legal and economic status. This hinders the flexibility that becomes necessary when one passes from a system geared to quantitative expansion (as had been in the 50s and 60s) to a system whose principal problems are qualitative. These difficulties are exemplified in the implementation of educational programmes aimed at meeting the needs of special populations or in the case of full-day schooling experimentation.

The shift in the locus of control discussed above contrasts with this concentration at ministerial level of all decision-making concerning the teaching body. Thus, for example, the objective of giving parents greater control over the educational processes is contradicted by this kind of concentration of power in decision-making.

The conflicting elements involved in these problems are represented not only by the term "State/local government", but also by "teachers' interests/families' interests". This multi-polarity is connected to the two directions in which the processes of decentralization have been developed:

- decentralization from the State (though the Regions) to the municipalities;
- decentralization to the school districts without passing via local government.

The contemporaneity of processes of decentralization moving in different directions without weakening certain key points in the central government of education has produced a rather complex system in financing and administering the school system.

Moreover decentralization is too recent for its effects to be judged now.

However, it would appear that the current system of dealing with the question of the teaching body will eventually produce noticeable tensions. This problem is presently expenditure-acute in relation to the question of parental control over the quality of educational processes. If no decentralizing processes are developed private education may be developed in response to the emergence of a generalized request on the part of the population for more direct control over schooling.

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